1979 Annual Report

CENTRAL VERMONT PUBLIC SERVICE CORPORATION

Annual Meeting

The annual meeting of Central Vermont Public Service Corporation stockholders will be held on Tuesday, May 6, 1980 in Rutland, Vermont. Notice of this meeting, together with proxy statement and proxy, will be mailed to common stockholders in early April, 1980.

Transfer Agent and Registrar

The First National Bank of Boston, Boston, Massachusetts 02102 — for Common Stock and all series of Preferred Stock.

Please Note

This report is prepared for the information of security holders, analysts, Company personnel, customers and other interested persons. It is not transmitted in connection with the sale of any security.

THE COMPANY WILL PROVIDE EACH SHAREHOLDER A COPY OF THE FORM 10-K, ANNUAL REPORT TO THE SECURITIES AND EXCHANGE COMMISSION, WITHOUT CHARGE UPON REQUEST TO THE SECRETARY OF THE COMPANY.

About Our Cover

Development of Vermont's water resources into energy is a commitment of Central Vermont. Station operators Howard Wilder and Francis Petelle are observing the replacement of the penstock at Cavendish, one of eighteen present-day operating stations.

CENTRAL VERMONT PUBLIC SERVICE CORPORATION

77 Grove Street, Rutland, Vermont C5701
Telephone: (802) 773-2711

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The Company's common stock (NASDAQ symbol: CPUB) is traded on the over-the-counter market.

Statement of Corporate Purpose

It is the objective of Central Vermont Public Service Corporation to continue to be one of the nation's most efficiently managed electric utilities. The Company will do all it can to provide:

(1) Safe, adequate and reliable electric service in a socially and environmentally acceptable manner at the lowest possible cost; and

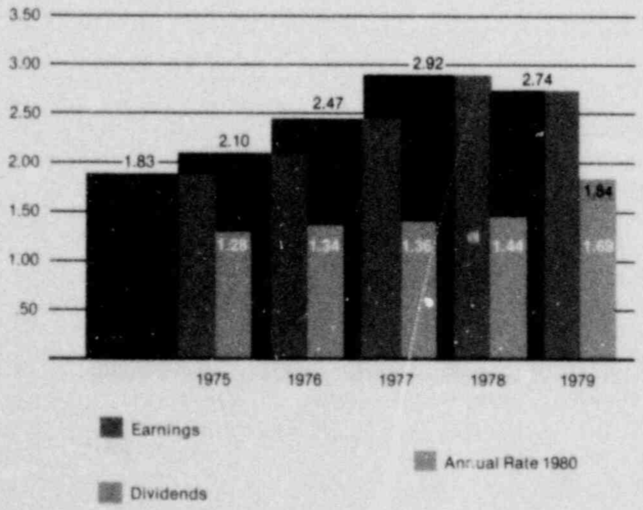
(2) A competitive rate of return on funds invested in the Company which will enable it to retain and attract the necessary capital to carry out its electric service obligations at reasonable costs; and

(3) An employment atmosphere which will attract and retain qualified employees.

Highlights

	1979	1978	% Change
Financial (dollars in thousands)			
Revenues	$ 78,185	$ 75,019	+ 4.2
Net Income	$ 9,767	$ 10,368	− 5.8
Net Income for Common Stock	$ 7,995	$ 8,414	− 5.0
Construction (Excluding AFDC)	$ 11,539	$ 13,214	− 12.7
Net Utility Plant	$124,930	$113,573	+ 10.0
Total Capitalization	$152,466	$144,573	+ 5.5
Average Shares of Common Stock Outstanding	2,921,527	2,881,111	+ 1.4
Debt/Percent of Total Capitalization	44.3%	43.0%	+ 3.0
Return on Common Equity (Average)	12.8%	14.5%	− 11.7
Per Share of Common Stock			
Net Income	$ 2.74	$ 2.92	− 6.2
Dividends Paid	$ 1.69	$ 1.44	+ 17.4
Book Value (Year-End)	$21.84	$20.84	+ 4.8
Operating			
Retail Electric Sales (MWH)	1,677,739	1,654,433	+ 1.4
System Peak Demand (KW)	372,500	353,000	+ 5.5
System Load Factor	58.8%	61.2%	− 3.9
Degree Days (Rutland, Vermont)	6,890	7,242	− 4.9
Customers	109,980	107,977	+ 1.9
Employees	577	571	+ 1.1

EARNINGS AND DIVIDENDS PER COMMON SHARE
(Average Shares)



Looking Forward

As we enter a new decade, it is evident that energy issues will continue to be of overwhelming importance for the foreseeable future. Effective management of energy resources will remain essential in the electric utility industry. Innovation and service have been the tradition of the Company throughout the last 50 years. We will continue to emphasize those characteristics in the future. Looking forward, we find that our strengths lie in three basic areas: our sound financial posture; the professionalism and dedication of our employees; and the loyalty of our stockholders. It is our hope that by reading through the "People of Central Vermont" section of this report, you will be exposed to the human dimension of our Company as well as the financial and operating data. The excellent response to our first shareholder survey provided us with a valuable profile of our shareholders. The large number of shareholders who made the extra effort to write a note expressing their confidence in the Company's management is very encouraging. In addition to responding to the questionnaire, many of them asked questions and offered comments. Therefore, one section of this report answers the questions most frequently expressed.

Looking Back

During 1979, the Company celebrated its 50th anniversary. The occasion provided many opportunities throughout the year to meet with shareholders, employees and customers. We came away from each "give and take" experience with the strong conviction that our corporate goals are realistic and attainable.

Financial Performance Encouraging

The Company's financial performance was encouraging for the year 1979. Earnings per common share were \$2.74, down from \$2.92 in 1978 but subject to improvement in 1980 resulting from an 8.2% Vermont retail rate increase effective January 1, 1980. Common stock dividends paid in 1979 increased to \$1.69 a share from \$1.44 in 1978. The fourth quarter annual dividend rate of \$1.84 represents an increase of 44% from the \$1.28 dividend in 1975.

The Company's financial goals and performance are realistic and encouraging. A \$1.84 common dividend represents a 67% payout of 1979 earnings, as compared with an industry payout average of 77%. The Company's capital ratios of 44% debt, 14% preferred equity and 42% common equity at the end of 1979 will permit financial flexibility in the future. In January 1980, the completion of \$15.0 million financing of mortgage bonds at a 10⅗% interest rate virtually eliminated our bank borrowings temporarily, allowing us even greater flexibility. Recently, the Company received investment grade ratings for commercial paper providing an additional method by which our short-term capital needs can be met.

Growth Has Moderated

Over the past five years, kilowatt hour sales have increased at an annual rate of 2.7%. This is a significant change from the period 1965-1973 when sales growth was 10% annually. During the 1970's, our Company pioneered load management techniques that are now mandated by the National Energy Act which includes the Public Utility Regulatory Policies Act of 1978 (PURPA).
PURPA requires that each state regulatory commission consider adopting certain standards. Some examples of these standards are: rates based on cost to serve; rates which reflect differences between winter and summer use of electricity; time-of-day rates which offer a price incentive to use less during peak hours; interruptible rates; the installation of various devices which control loads; and the elimination of rate structures which serve to promote greater electric use. Our Company has been in the forefront of all these ratemaking techniques. Energy efficiency has been our goal for many years and continuing load management efforts by the Company will help to achieve that goal.

Power Planning

Our long-term planning includes a kilowatt hour growth rate of 3%. Even with this premise, we require additions in generation, transmission, distribution and general facilities in order to provide a secure energy future for our customers into the 1980's and beyond.

Nuclear power is necessary to meet those future power needs. We will continue to move ahead as joint owners in Seabrook #1 and #2 in New Hampshire, Millstone #3 in Connecticut and Pilgrim #2 in Massachusetts. We feel strongly that industry and government must work together to define and solve the major problems facing the nuclear industry. In this way, broad support can be maintained for this essential part of our nation's energy supply.

Our continuing commitment to our customers is expressed in the development of and participation in two new programs: the Residential Conservation Corporation, in which we have joined with other Vermont utilities, along with the Vermont Public Service Board and the State Energy Office, was organized to help homeowners conserve energy by aiding them with conservation measures, in financing energy improvement loans and by inspecting completed work; and "Operation Peak Alert," a voluntary consumer action program geared toward levelling the peak demand growth rate.

L. Douglas Meredith *James E. Griffin*

The Challenges

The energy picture will continue to unfold in a series of challenges that will only be met with sound energy management and the continued support of our employees, customers and shareholders. These challenges must be met for the future of energy is the future of Vermont and, indeed, the Nation.

James E. Griffin

JAMES E. GRIFFIN, President
and Chief Executive Officer

L. Douglas Meredith

L. DOUGLAS MEREDITH,
Chairman


ELECTRIC REVENUES
Percent Change From Previous Year
Percent
16
14
12
10
8
6
4
2
0
12.5
14.2
9.1
8.9
3.8
1975
1976
1977
1978
1979

Revenues and Sales

Operating revenues increased 4.2% in 1979 as a result of kilowatt hour sales growth, the remaining effect of a retail rate increase implemented late in 1978 for Connecticut Valley Electric Company, a wholly-owned subsidiary, and an increase in miscellaneous revenue.

Kilowatt hour sales to retail customers increased 1.4%. Sales to our nine wholesale customers and periodic sales to other utilities grew by 22.5%. Total kilowatt hour sales to customers increased by 2.8%. A number of factors affected the pattern of growth of the various customer classes in 1979, some of which will continue to influence future growth. These factors include weather patterns, new federal regulations, conservation, and the changing pattern of relative energy prices in Vermont.

The most important factor moderating growth in 1979 was the unusually warm weather experienced during the heating season. Heating requirements as measured by degree days were 6.6% less than normal and 4.9% less than 1978.

Federal regulations controlling temperature settings for air conditioning and heating have lessened electric usage in commercial, industrial and public authority buildings.

Continued energy conservation by all customers remained an important factor in maintaining a modest growth pattern as residential and business customers attempted to reduce energy consumption and offset a decline in real income.

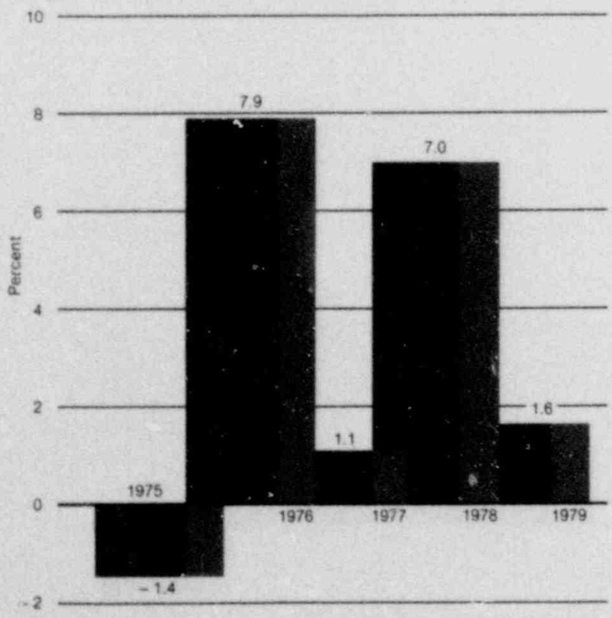
In Vermont, almost two-thirds of all homes burn some wood for heating purposes and as many as 20%-25% use wood as a primary source of heat.

An important occurrence during the year, and one which will affect future usage patterns, was the decline in the relative price of electricity compared to other energy sources in Vermont. Over 70% of total energy in Vermont is provided by oil. As consumers attempt to adjust to the change in relative energy prices, the Company expects to see an increase in the use of electric service.

Residential sales in 1979 increased by only 1% despite an increase of 2% in the number of customers. Residential customers, feeling the effect of a reduction in real income, continue to conserve electricity. The exceptionally warm weather also reduced expected growth.

During the latter part of 1979, however, changing patterns of usage could be discerned which will affect future growth. Customers increasingly began to shift to electric water heating as a substitute for oil. In addition, an increasing number of customers introduced the use of electricity for heating purposes in new homes and as a supplement in existing residences. Customers interested in electric heat are encouraged by the Company to consider the advantages of off-peak storage heat.

KILOWATT HOUR SALES
Percent Change From Previous Year



Excluding Periodic Sales to Other Utilities

The commercial sales area experienced a growth rate of 5% in 1979. This group, consisting of small commercial and industrial establishments, benefited from the strong economy in Vermont during most of the year, offsetting effects of the spring fuel shortage and a disappointing ski season during the last quarter of the year.

The industrial sales area had a sales increase of 1.6%. A number of unusual factors contributed to lower usage levels including a number of work stoppages and the temporary closing of a whey processing plant due to environmental and economic problems. Larger customers are continuing to seek ways to reduce energy consumption including measures required by federal regulations such as temperature setbacks and more efficient lighting.

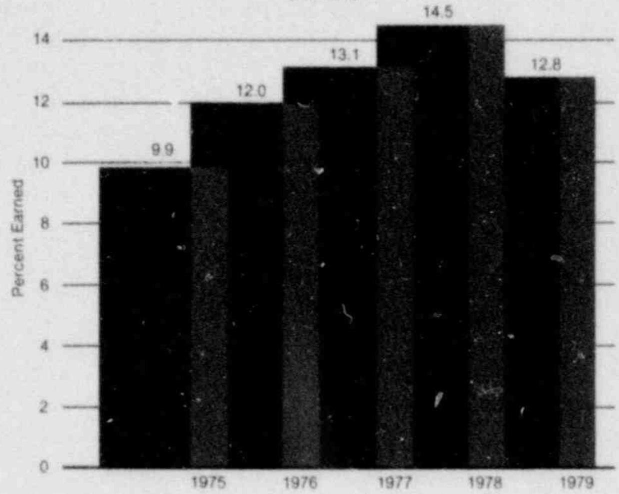
The Vermont economy is forecast to grow at a reduced rate in 1980, but retail sales are expected to increase by about 5% with the return of more normal weather patterns. In 1980, customers undoubtedly will continue their conservation efforts, but at the same time may adjust their usage patterns to reflect the lower relative cost of electricity. In addition, a number of ski areas continue to expand their facilities and several new and large industrial expansions will become operational.

Earnings and Return to Investors

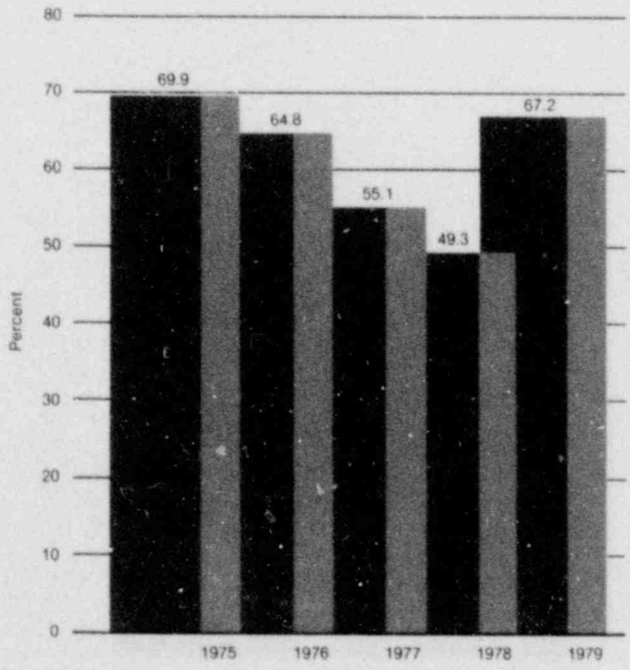
Earnings per share in 1979 amounted to $2.74, compared to the $2.92 earned in 1978. The recent rate increase placed in effect January 1, 1980 should improve earnings. The Company's historical return on equity is shown on this page.

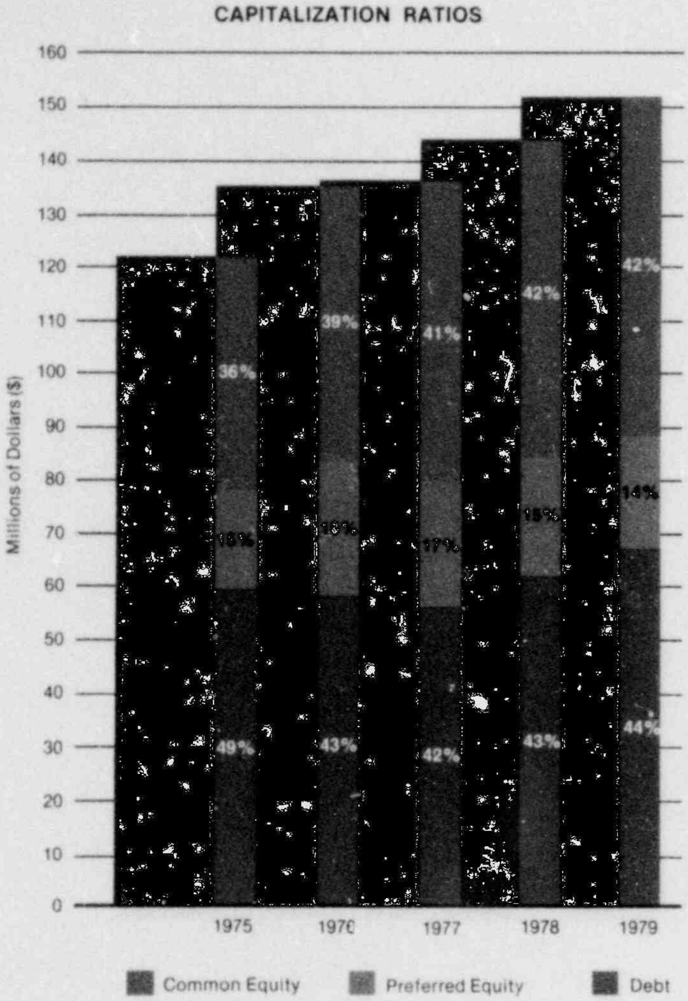
The Company's dividend rate was increased by 28% in 1979. The first quarter dividend payment was increased from the 36¢ per share level to 41¢. Again in the fourth quarter, the dividend was raised from the 41¢ level to 46¢ per share, or $1.84 on an annual basis.

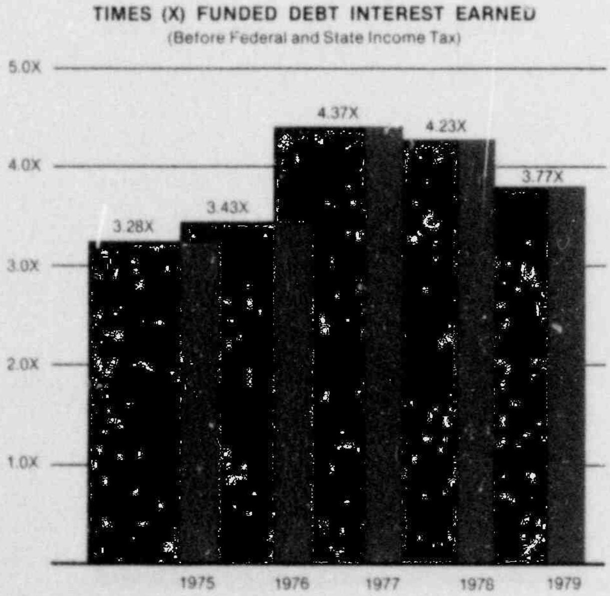
COMMON EQUITY RETURN
BASED ON AVERAGE EQUITY
(Percent)



ANNUALIZED
PAYOUT RATIO
(Percent)







The goal of the Company is to establish dividend levels so that equity investors are fairly compensated. The Company believes that this will be possible in a regulatory climate recognizing that prompt and adequate rate relief is necessary in order to attract adequate amounts of capital.

The annual payout ratio in 1979 was 67% for the Company, compared to 49% in 1978. The charts "Earnings and Dividends Per Common Share" and "Common Equity Return" shown on the Highlights page and on page 6, indicate the trends over the past five years with respect to the Company's financial health. The charts indicate improving trends in these areas.

Financing

Construction in 1979 amounted to $11.5 million and is expected to increase to $18.1 million in 1980, largely accounted for by an increase in expenditures for joint ownership generating units. Internally generated funds, when related to total construction expenditures in 1979, amounted to 57%, compared with 34% a year ago.

The Company's financial goals include a capital structure which will allow for flexibility in financial planning. Such a strategy is necessary in the current environment of uncertainty in which utilities operate. Long-term capital structure targets are approximately 46% debt, 14% preferred equity and 40% common equity. The historic capital structure trends are shown on this page. The 1979 structure closely reflects the long-term goal.

The sale of $15 million principal amount of First Mortgage 10⅗% Bonds to institutional investors provided a major source of funds in 1979. In September, $4.25 million were issued and the remaining $10.75 million were delivered in early January 1980. An additional $.724 million in common equity was raised through the Dividend Reinvestment and Common Stock Purchase Plan ($.608 million) and the Company's participation in the Tax Reduction Act Stock Ownership Plan ($.116 million).

In line with the stated financial goals, the Company applied for and received commercial paper ratings from three rating agencies, as follow: Fitch Investors Service, Inc., F-1; Moody's Investors Service, Inc., P-2; and Standard & Poor's Corporation, A-2. These ratings are of investment grade and will permit the use of commercial paper at competitive rates. The Company plans to use commercial paper for part of its short-term financing requirements.

Short-term borrowings increased during 1979 from $6.6 million on January 1 to $13.5 million on December 31. This amount was reduced to less than $1 million in January after the final delivery of the Series Z Mortgage Bonds.

With the Company's continuing construction program, it is anticipated that both debt and equity financings will be necessary in 1980. The Company is exploring all possible means of financing at the lowest cost. The Company's interest coverage levels — an important financial ratio expressing relation of income to interest charges — remained excellent in 1979. The five year trend is shown on page 7 indicating sustained coverages of over 3.0 times for the past five years.

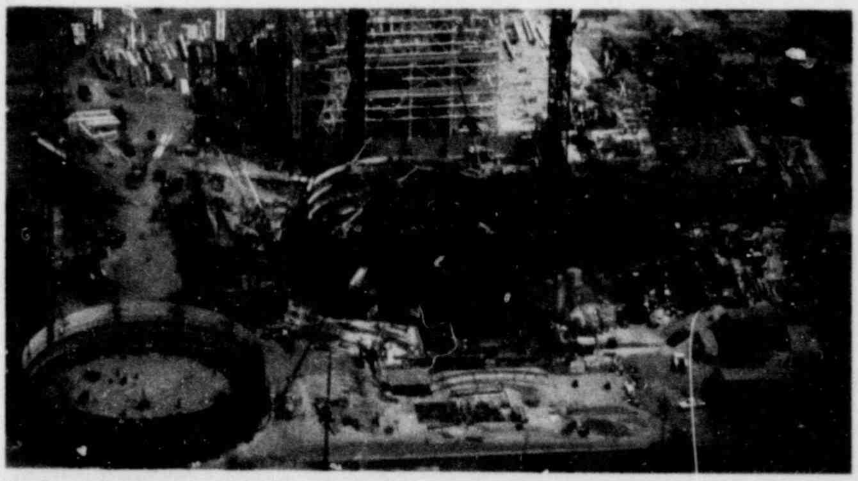
The Company has made application for tax exempt revenue bond financing through the Vermont Industrial Development Authority. These bonds would be at a lower cost to the Company than conventional debt, and would be related to qualifying projects in the planning stage, such as low head hydro developments located within Vermont or service facilities.

Rate Case Activity

Although the Company had no rate increases which became effective in 1979, it submitted a request to the Vermont Public Service Board on

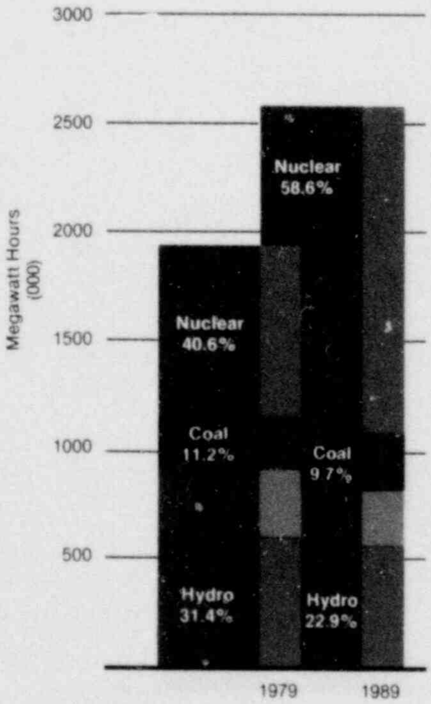
COMMON STOCK PRICES AND DIVIDENDS

1978	High	Low	Dividends Per Share
1st Quarter	15¼	14½	.36
2nd Quarter	15¼	14⅜	.36
3rd Quarter	15½	14⅞	.36
4th Quarter	15⅝	14	.36
1979			
1st Quarter	16¼	14⅜	.41
2nd Quarter	15⅝	14¾	.41
3rd Quarter	18	15⅛	.41
4th Quarter	16¼	15⅛	.46



Seabrook Construction

GENERATION BY FUEL SOURCE



FUTURE POWER SOURCES

Unit Name	Fuel Source	Completion Date	Megawatts	Cost in Thousands[1] Actual thru 1979	Projected 1980 thru Completion	Total
Seabrook #1 & #2	Nuclear	1983, 1985	36	$11,733	$17,480	$29,213
Pilgrim #2	Nuclear	1987	20	4,695	20,746	25,441
Millstone #3	Nuclear	1986	20	9,403	14,304	23,707
Montague #1 & #2	Nuclear	Under Review	40	450	N/A	N/A

(1) Does not include allowance for funds during construction or cost of nuclear fuel.

November 30 for a retail rate increase of 8.2%. After review by the Public Service Board, the rates were allowed to become effective without hearings or suspension commencing with January 1980 sales. The rate increase amounted to $5.3 million on a test year basis and will be collected as a 3.5 mill surcharge on all Vermont retail kilowatt hour sales.

The rate filing included an overall rate of return of 10.8% and a return on common equity of 14.5%. In allowing the rate increase to become effective, the Board continued its allowance of a 14.5% return on common equity authorized in three prior rate cases. The Company's cost of service fully complied with the ratemaking principles established by the Board in the previous rate case.

During 1980, the Company plans to file for rate relief in its several jurisdictions, retail and wholesale, in order to maintain the necessary rate of return to attract capital and provide adequate service to customers.

Current and Future Sources of Power

During 1979, the Company continued to rely heavily on nuclear power (41%) and hydro (31%) as primary sources of energy, with coal (11%), oil (8%) and other NEPOOL sources (mostly oil) providing the balance of the Company's requirements. Vermont Yankee Nuclear Power Corporation, the Company's largest single source of power, had an excellent year providing 30% of total energy requirements at a cost of 2¢ per Kwh. An accompanying chart on power sources shows present and future power supplies.

On January [illegible] 1980, the continued availability of 23 megawatts of low cost Niagara Project power from the Power Authority of the State of New York (PASNY) was assured through June 30, 1985, when a new contract was signed. In 1985, both the Niagara and St. Lawrence contracts with PASNY will be subject to termination. The contracts provide for possible extension beyond 1985. Together, these two contracts provide 68 megawatts of power to the Company. A planning target of the Company is to seek and maintain a diverse power supply with hydro generation a continuing important source.

Future power planning must face the reality that the real cost of electricity as a form of energy has declined and will continue to do so in the near future relative to other available sources, such as oil. This is important in Vermont since currently 70% of the State's total energy is provided by oil. Other alternatives are not available at this time with the possible exception of wood for home heating. As noted previously, the immediate impact on the Company as a result of the change in the relative price of energy is an increase in the use of electricity for off-peak water heating. This, fortunately, is a controllable load. If the price of oil continues to escalate, other electric energy demands such as heating may become more competitive offsetting the Company's rate design efforts which specifically discourage on-peak loads.

As part of its future power requirements, the Company continued to invest in several nuclear power plants. Construction of the Seabrook #1 and #2 units has continued despite financial difficulties of its lead owner. Unit #1, currently 30% complete, has 1983 as the expected in-service date. The Pilgrim #2 unit is awaiting issuance of a construction permit. The Montague units are currently under review with little activity anticipated in the near future. Despite financial problems, construction delays and the probable increase in nuclear costs as a result of Three Mile Island, the Company believes that nuclear power continues to be the least expensive source of base load power for New England utilities.

Oil is prohibitive as a base load source of power and there are no new coal-fired plants beyond the planning stages at the present time. Participation in a Vermont woodburning plant is under study. This is consistent with the Company's objective of having a diversified power supply.

To meet the Company's future power requirements, a number of hydro developments are being pursued. These are in two general categories: existing sites and new sites. The Company has 18 active hydro generation stations. In addition to these facilities, there are a number of abandoned sites for which the Company holds operating licenses. With the changing price of alternate fuels, a number of these sites now appear to be economically feasible. In addition, the Company is exploring a number of new hydro development sites. One of the most promising is located in East Georgia on the Lamoille River in northern Vermont. The Company is working with Vermont Hydroelectric Associates in the development of this 14,000 kilowatt facility. The planned East Georgia project will provide up to 35 million kilowatt hours annually.

Additionally, several smaller projects are in the design planning stage including Frog Hollow (1500 kilowatts) located on the Otter Creek, Middlebury; Bradford (930 kilowatts) on the Waits River; and Barnet (2200 kilowatts) on the Passumpsic River. The Sugar River in the City of Claremont, New Hampshire, offers another potential hydro project for development (2000 kilowatts). The City and the Company have applied for a permit to study the feasibility of the project on a joint and cooperative basis which should lead to a mutual sharing of benefits. Innovative project financing and revenue bond financing are being studied for these projects.

In 1979, the State of Vermont signed a contract with Hydro-Quebec for purchases of 52 megawatts of power from Canada over the next five years. Although this power may not be available during the peak winter months, it will augment current capacity in time of need for replacement energy. Further discussions are continuing with various Canadian sources and possible future agreements may make additional amounts of power available to Vermont on a more permanent basis through Hydro-Quebec or Ontario Hydro.

Operations and Expenses

A 1979 income dollar shown on this page indicates the major categories of expenses. The Company was affected by the continuing escalation in purchased power costs which increased by 8%. These are costs over which the Company has relatively little control in the short run.

Other operating expenses increased by only 4%. This is a result of the Company's continuing efforts to scrutinize all expenses and to increase productivity.

Employee Wages and Benefits

There were 577 employees at the end of the year compared with 571 in the previous year. Wages and benefits during 1979 amounted to $12 million, an increase of 5%.

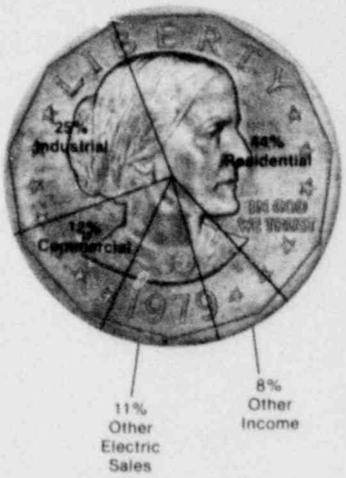
The Company and Local 300, International Brotherhood of Electrical Workers, which represents 240 employees, reached a two-year agreement which expires on December 31, 1981. The agreement provides for annual increases of 8% in base rates in 1980 and 1981. A cost-of-living adjustment based on the change in the Consumer Price Index was also included.

Springfield

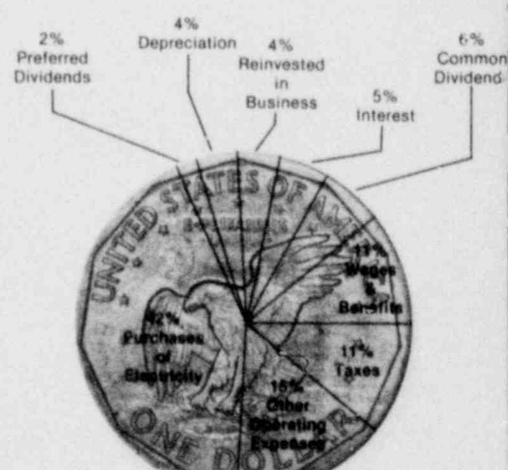
During 1979, the Town of Springfield continued its efforts to take over the Company's distribution facilities in order to operate a municipal distribution system. Extensive hearings are being held before the Vermont Public Service Board. Expenditures by the Town of Springfield total almost $2 million to date including design and engineering studies related to the takeover of the distribution system as well as development of the Black River hydro project. The Company believes that when the actual costs of setting up a municipal system are recognized, rates which the municipal would have to charge in the town will more than double. Hearings are expected to continue during 1980. The ruling is likely to be appealed to the courts by one of the parties, thereby extending the final decision.

THE 1979 INCOME DOLLAR

Where the Income Dollar Came From:



Where It Went:



Load Management Update

The goal of the Company's load management program is to provide incentives for customers to use power at off-peak periods. This will reduce capital expenditures and allow less expensive energy sources to be used. This section highlights our progress in 1979.

Rapidly changing energy price structures in the late 1970's caused Vermonters to reevaluate their energy sources. Almost 1,800 Vermonters became load management customers in 1979 as shown in the accompanying table.

The increase in the price of oil, which accounts for 70% of Vermont's total energy requirements, provides an incentive for customers to convert to the use of controlled electric water heating.

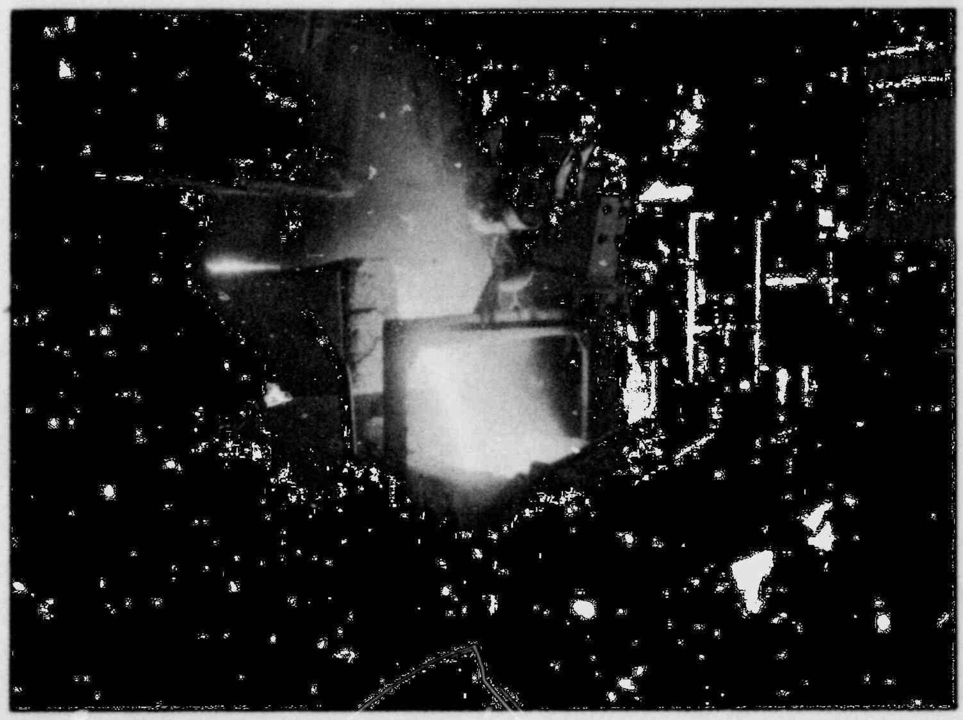
Many Vermonters have begun to take advantage of wood as a primary heating source. Approximately 20-25% of the homes in Vermont are heated this way. Many homes heated with electric heat or oil are now utilizing Central Vermont's time-of-day rate which allows customers to control their heating needs, as well as their appliances (freezers, dryers, water heaters), with deferrable rates in a manner that helps Central Vermont reduce its peak demand. In this manner, expensive oil generation costs are avoided while providing customers who are willing to defer some of their electricity use with a cost-saving benefit to themselves and the Company.

An increasing number of new homes and businesses are finding it beneficial to install storage heat equipment instead of oil or resistance electric baseboard heat. These systems store electric heat during off-peak hours while providing an even flow of heat during the remainder of the day.

Central Vermont is continuing its participation in load management studies, including an experiment with dual fuel heating systems. Such systems, if proved feasible, will allow customers to utilize either electricity or an alternative energy source, such as oil. The system would then use electricity during off-peak periods and the alternate fuel during the peak periods. Both the customer and the Company would benefit — the customer through the reduction in the use of fuel oil, and the Company by interrupting electric service when needed. Central Vermont now has controllable loads equivalent to 10% of its current system peak. In summary, Central Vermont and its customers are continuing to respond to the nation's energy problems by seeking a variety of innovative methods providing energy at the lowest cost.

LOAD MANAGEMENT PROGRAMS

Program	Customers 12/31/78	Customers 12/31/79	Growth
Off-Peak Water Heating	27,447	28,901	1,454
Time-of-Day Rate	664	909	245
Storage Heat	171	251	80
Winter/Summer Pricing	All customers		



Vermont Yankee

For the nuclear industry, 1979 was a year of turbulence, marked by a number of highly-publicized events.

Vermont Yankee performed well in 1979. The plant had a 76.6% capacity factor for the year. This means that the plant operated more than three-quarters of the time. This performance maintains Vermont Yankee's record as one of the nation's most reliable boiling water reactors. Following is a brief chronology of the most important events of 1979:

January and February were excellent months, with Vermont Yankee at higher-than-rated capacity. It was the Company's principal source of power during the Iranian oil cutback and at the time of the highest peak use ever recorded at Central Vermont.

In March, when electricity use dropped back from high winter levels, the plant was shut down for several weeks to replace some faulty fuel. In December, Vermont Yankee's fuel supplier announced the results of a year-long investigation into this problem. Improved testing of new fuel should avoid future fuel difficulties.

During March and April, exhaustive reports of the accident at Three Mile Island were published in the media. The nuclear industry undertook an effort to understand the problems and issues involved in the incident. Vermont Yankee is taking specific steps to improve operating standards which include reviewing control room procedures, stepping up operator training and installing equipment for better monitoring and control of plant operating areas.

Vermont Yankee also joined with the nuclear industry in establishing two new institutions: The Nuclear Safety Analysis Center (NSAC) to interpret the lessons of Three Mile Island, and the Institute for Nuclear Power Operations (INPO) to set standards of excellence and devise methods for evaluating a nuclear utility's performance.

Several new NRC requirements resulted from the Three Mile Island incident. Vermont Yankee installed equipment and adopted new procedures as quickly as possible. Requests for tours of Vermont Yankee have increased. People are asking more sophisticated questions. This trend is encouraging since we believe that an enlightened public makes reasonable decisions.

Even through a union strike in the late spring, the plant operated satisfactorily until late September when it was shut down for annual refueling and maintenance. Despite various technical problems and a demonstration by anti-nuclear activists during refueling, the plant was back on-line on schedule in early November. On the seventh anniversary of commercial generation, November 30, 1979, the plant was running at full power.

The year ended as well as it began, with a December capacity factor of over 100%. Over the year, the average cost of a kilowatt hour produced was a low 2.0 cents. In addition, five and a half million barrels of oil were saved during 1979.

If you should find yourself in the vicinity of Vernon, Vermont, you are invited to visit the newly renovated Energy Information Center at the plant.

The People of Central Vermont

"I like to let the customer know that someone is interested in their problem and that together we can reach a solution that is beneficial to both the customer and the Company."

"There is a saying: 'Industry moves on its wheels' . . . We transport everything from paper clips to construction equipment in a fleet that's geared to the needs and safety of our people. In today's world, it is imperative that our Company minimize the cost to the customers. Transportation is an integral part of that effort."

"The green screen helps the division personnel deal more accurately, more timely with the customer. It's my job to see that customers are satisfied. We do try to keep them happy. I enjoy working with the people."

"No matter how you look at it, the printing we do in-house is definitely saving the Company money — that's important."

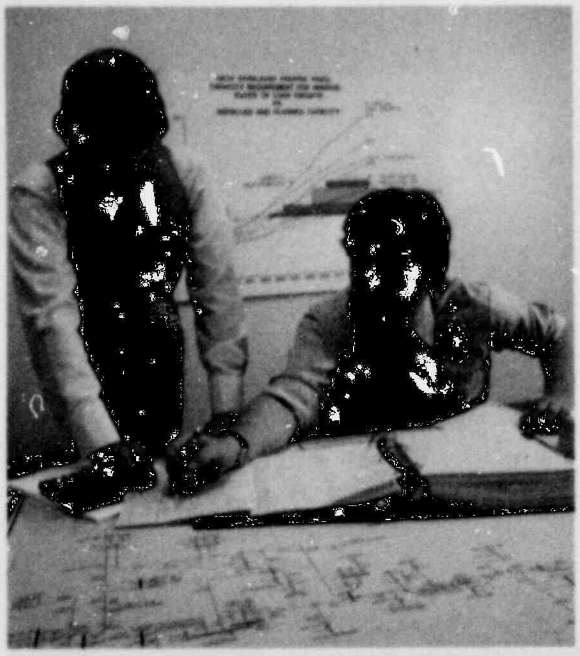
"I've been working for the Company for 42 years and I like my job very much. We generate the product the Company sells. Hydro is a natural for Vermont and we're using it to provide the best kind of service to our customers — electricity."

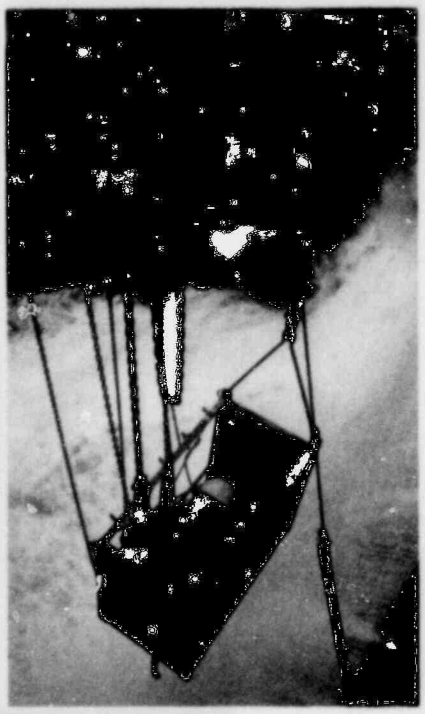
"It's the dispatcher's total responsibility after hours to see that the business of the Company is carried on . . . Basically, we have to give the customer a satisfactory answer to his problem. I've been doing it now for 27 years, and I enjoy it just as much now as when I first came here . . . possibly even more so."

"Our company draftspeople can help someone better explain or understand energy subjects through the use of maps or charts and graphs. We're providing a needed service to our employees and to our customers by turning complex energy questions into easily understood graphics."

"We're a service department for employees and other departments. They're our customers and we have to treat them the same way the Company treats its customers."

"Storm duty is an extremely important thing. These are our customers calling in and these customers are paying us. I always try to say I understand, I realize you're in trouble, and we'll do the best we can to help you."

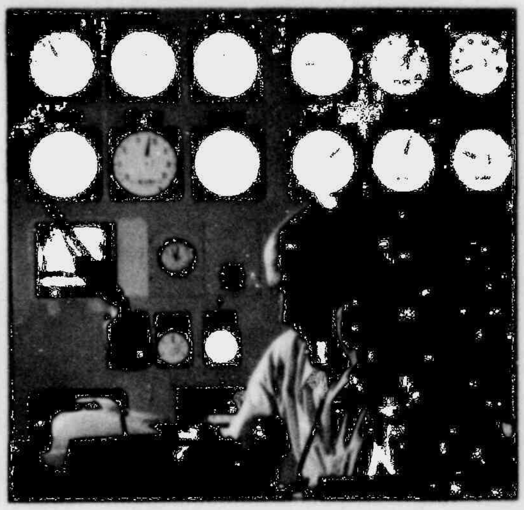




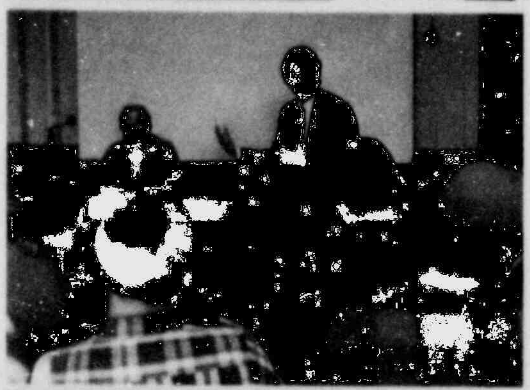
"Our customers depend on the people in the division offices — we're their neighbors. We have to be human and see the problems from their point of view."

"The goal of power supply planning is to select a combination of sources of power which will provide an adequate supply of electricity at the lowest overall cost to the customer and to our system."

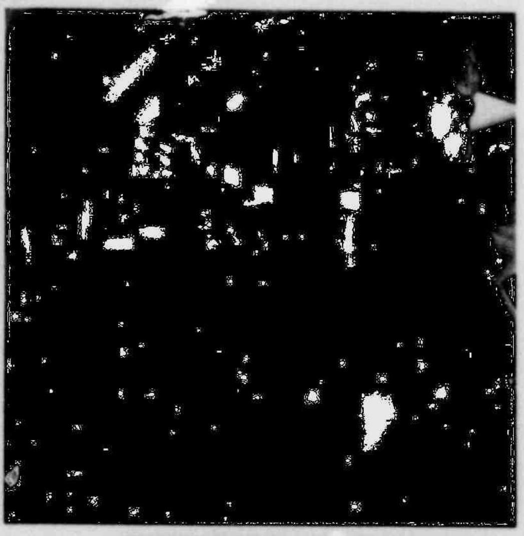
"One of the things that's fascinating is everything's changing every day. Something different comes along — changing prices in oil, or coal, probabilities of units being on-line, being able to supply the energy you want. There are so many things you have to take into account. We used to look at our purchase power sources at six-month intervals. Now we look at them on an hourly basis."



"Careful and thoughtful analysis of our different customer groups and the cost to serve each group helps to provide us with a basis for designing fair and equitable rates to our customers and a fair rate of return to our stockholders."



"Probably the most important part of my job is the personal safety of the workers in our Company. It's not like just an ordinary job. Many people are depending on you. It's a good feeling for our linemen to know that their gloves were tested at 20,000 volts when they're using them at only 7,200 volts."



"I provide the people in the communities I serve with honesty, expertise, and experience. My primary role is to offer our customers overall guidance in matters pertaining to the energy field and how it affects them."

"Luncheon meetings between employees and the Company president are helping to promote better communications within the Company."

RESULTS OF SHAREHOLDER SURVEY

Profile

1. Number of Shareholders	Up 16% since 1970
2. Investment Objectives	Current income is primary objective
3. Income	Median* family income is less than $20,000
4. Employment	Majority of CVPS shareholders are retired. Actively employed shareholders have a wide range of occupations
5. Age	Average age of shareholders is about 65 years
6. Shareholdings	Median size of holdings is less than 175 shares
7. Location	57% of holders reside in New England states
8. Customers-shareholders	Approximately 11% of shareholders are also customers
9. Years as shareholder	Over 35% of shareholders have owned stock for more than 10 years
10. Dividend Reinvestment Plan	About 10% of shareholders participate
11. Shareholder Information	Over 90% feel they are adequately informed on corporate matters

**Median is the point at which the total group is evenly divided in half with half the members above the median point and half below.*

Analysis

During the third quarter of 1979, the first survey of Central Vermont shareholders was conducted. Almost 40% of the shareholders participated.

Shareholders answered thirteen questions providing a wide range of information concerning their investment objectives, size of holdings, demographic backgrounds, opinions and informational needs. Twenty percent of the respondents took the time and effort to make specific comments regarding issues affecting the Company ranging from general comments to specific questions regarding Company policies.

The following pages outline the characteristics of our shareholders based on the survey results as well as other sources and respond to the most frequently asked questions.

1. Number and Type of Shareholders

The total number of Central Vermont shareholders is 17,500, an increase of 16% since 1970. This number includes 800 institutional holders such as foundations, pension funds, etc., as well as nominees — such as brokers and bank names — who often hold stock for their individual customers. To the extent possible, individuals who have stock held in their brokers and bank names have been contacted and are included in the survey results.

Over 70% of Company stock is held directly by individuals or in joint accounts and less than two percent by institutions and pension funds.

2. Investment Objectives

The primary objective for owning Central Vermont stock was "current income." The second largest investment goal was "total return" (current income plus long-term gain). The balance indicated "long-term growth" and a variety of other objectives as their primary investment motive.

3. Family Income

A majority (54%) of Central Vermont Public Service shareholders indicated family incomes of below \$20,000 with the median income being \$18,900. Over 46% of shareholders indicated incomes of \$20,000 or greater.

4. Employment Status

Of the shareholders actively employed, the occupational analysis indicated that 32% are professionals, 23% are homemakers, 20% hold managerial positions, 8% are in trade or craft fields, and 7% hold sales or clerical jobs.

5. Age

Although Central Vermont Public Service shareholders are represented in all age brackets, a majority are age 65 or over. The next age group is between 55 and 64 years of age.

6. Central Vermont Public Service Holding Size

Shareholder holdings vary greatly in size but are characterized by small holdings. Slightly over 41% of the shareholders own less than 100 shares, while about 3% of the holders own over 1,000 shares which includes the large institutional and nominee holdings. The mid-range holders of between 100 to 999 shares own on the average 208 shares each and hold 61% of the total shares outstanding. The median holding is 166 shares while the average holding is 191 shares.

7. Location

The majority of registered shareholders are located in the six New England states and they own 45% of the shares outstanding — thus, the average size holding is small. Shareholders residing in Vermont represent 14.6% of the shareholders and hold 9.5% of the total shares.

Shareholders reside in every state of the union in addition to such foreign countries as Cuba, Italy, Panama, and Trinidad-Tobago.

8. Customers-Shareholders

Approximately 11% of our shareholders are also direct customers of Central Vermont. This represents about 2% of total customers. Of course, thousands of others indirectly own shares through pension plans, insurance, and other investment mediums.

9. Years as Shareholder

Shareholders have shown strong loyalty over the years. 65% have owned stock for over 5 years with the median being 8 years of ownership. In addition, 36% of shareholders have been owners for more than 10 years and 14% for more than 20 years.

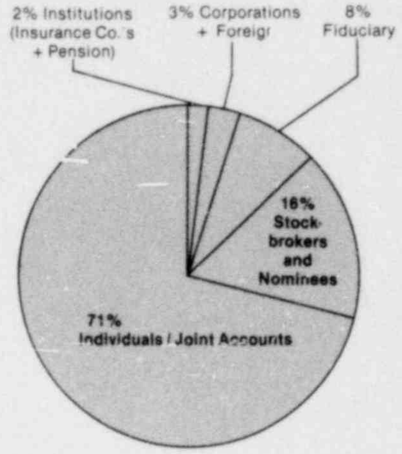
10. Dividend Reinvestment

About 10% of Central Vermont shareholders are active in the Dividend Reinvestment Plan.

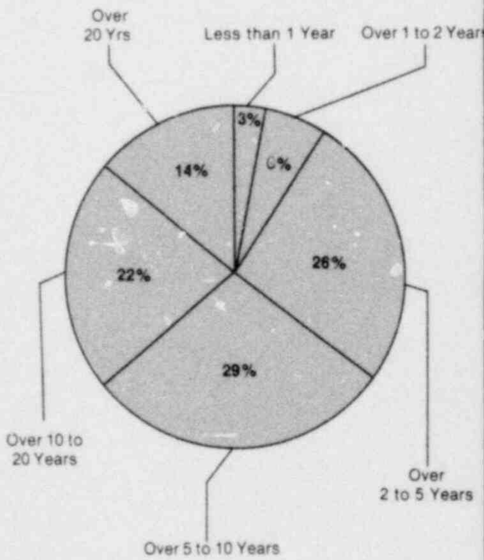
11. Shareholder Information

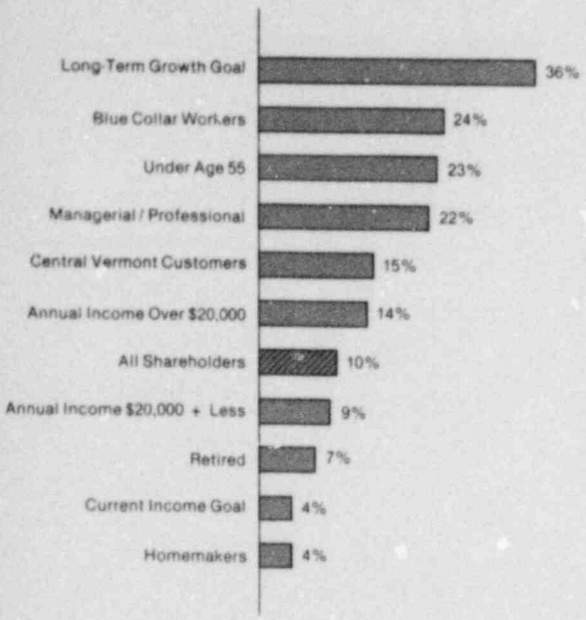
Generally, shareholders expressed satisfaction with reports received about various aspects of the business. Many took time to comment about Company affairs.

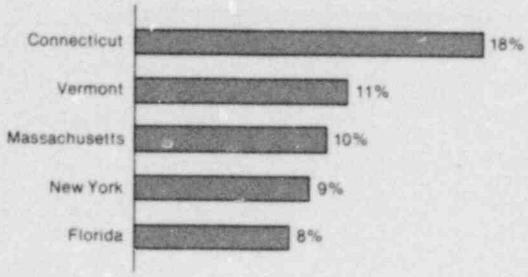
SHARES HELD BY MAJOR GROUPS
(% of Total Shares)



NUMBER OF YEARS AS SHAREHOLDER
(% of Total Shareholders)







Questions Frequently Asked by Shareholders in Survey and the Company's Response

1. **Do you have any plans in the future for listing on either the American or New York Stock Exchange?**

The Company periodically reviews the costs and the benefits of listing versus continuation of over-the-counter trading. Although the Company has no immediate plans for listing, as the Company grows it would seem logical that at some point in time listing on a major exchange will be desirable.

2. **Your dividend reinvestment program is of great interest. Where do I obtain information on the program and how do I enroll?**

An information booklet on the Company's dividend reinvestment plan may be obtained upon request by using the postage-paid reply card enclosed with this copy of the annual report. Stockholders interested in participating simply fill out an application form specifying whether only dividends and/or optional cash payments are to be made. Contributions through either of these two methods are reinvested in new stock issued by the Company without cost to the participating stockholders.

About 10% of the stockholders currently participate through dividend reinvestment or cash purchases.

3. **I purchased stock originally because dividends were partially tax exempt. Why are they no longer exempt?**

In the early 1970's as a result of lower earnings levels and IRS methods of calculating the taxability of dividends, part of the Company's dividends were considered to be a return on investment and therefore were partially tax exempt. Since that time, the Company's earnings have improved markedly and the tax laws have been changed. In recent years, therefore, the Company's dividends have been taxable.

While the nontaxability of dividends may have been pleasing from a short range viewpoint, increased profits and increased dividends are certainly more desirable in the long run.

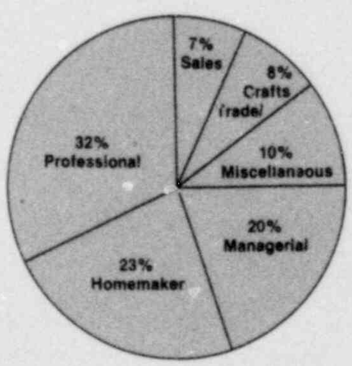
4. **Will dividends be increased to match or exceed the rate of inflation?**

As discussed on Page 6 the Company's aim in its dividend policy is to specifically recognize the effect of inflation on the purchasing power of the stockholders.

5. **The steady increase in dividends is greatly appreciated, but how can you pay 46¢ when you earn 43¢?**

The question refers to the summer quarter when usage of electricity and income is traditionally lowest. Dividends are paid out of retained earnings and may reflect earnings over past periods as well as current. The Company's payout ratio (annual

OCCUPATIONS OF ACTIVELY EMPLOYED SHAREHOLDERS
(42% of Total)



dividends as a percent of annual earnings) is 67% and is low when compared to the electric utility average of 77%. The Company's dividend based on this traditional measure is well protected.

6. **Why have stockholders not been given pre-emptive rights on new stock issues?**

Pre-emptive rights are sometimes offered to existing stockholders and, if exercised, allow existing stockholders to maintain their ownership share. The use of pre-emptive rights is clearly important to stockholders of firms whose owners are interested in maintaining their relative control positions. This is generally not a concern for the average utility investor who simply uses the open market to increase or decrease holdings. Occasionally there are special situations where rights offerings may be considered.

7. **Have you considered including a 5% discount on the dividend reinvestment program similar to what many other utilities are offering?**

Yes. A discount has been considered and studied. Our present thinking is that the discount is costly and unnecessary to the success of the plan.

8. **Is it possible to receive dividend checks by the payable date?**

Although the dividend checks are mailed from Boston, the Company will attempt to expedite delivery by mailing several days prior to the payable date.

9. **Is it possible to sell small quantities of shares (either preferred or common) back to the Company and avoid paying a broker's fee?**

No. Except under special conditions, the Company is not authorized to act as a broker in the buying and selling of its outstanding securities. Your local stockbroker will be glad to offer advice and carry out any security transactions.

10. **Is there some way to consolidate the records of stockholders to avoid costly duplication in mailings?**

The Company's stockholder agent is continually checking on duplicate mailings. A major problem exists wherever there is any difference in joint accounts requiring separate handling although they may be duplicative. Stockholders who become aware of duplications which can be eliminated are encouraged to contact the transfer agent or the Corporate Secretary.

11. **Is it possible to arrange direct deposit of dividends to personal bank accounts similar to social security direct deposits?**

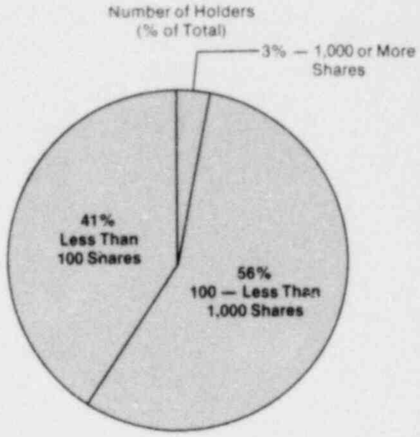
Yes. You can arrange deposits to your bank account by writing to the Corporate Secretary or to our bank directing them to make such deposits. The latter request should be directed to:

The First National Bank of Boston
Transfer Department
P.O. Box 1891
Boston, Massachusetts 02102

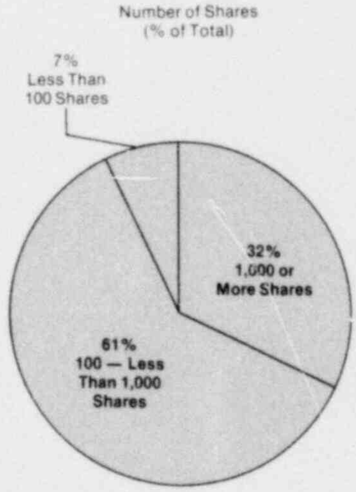
12. **Is it possible to purchase stock in the names of my grandchildren and if so, how do I go about it?**

There are statutes in all 50 states related to Uniform Gifts to Minors whereby grandparents, for example, can purchase stock as custodians. When the child reaches a majority age, the stock so purchased will transfer to the specified recipient. Your stockbroker will be glad to help in the purchase of stock whereby you would become custodian for the beneficiaries named.

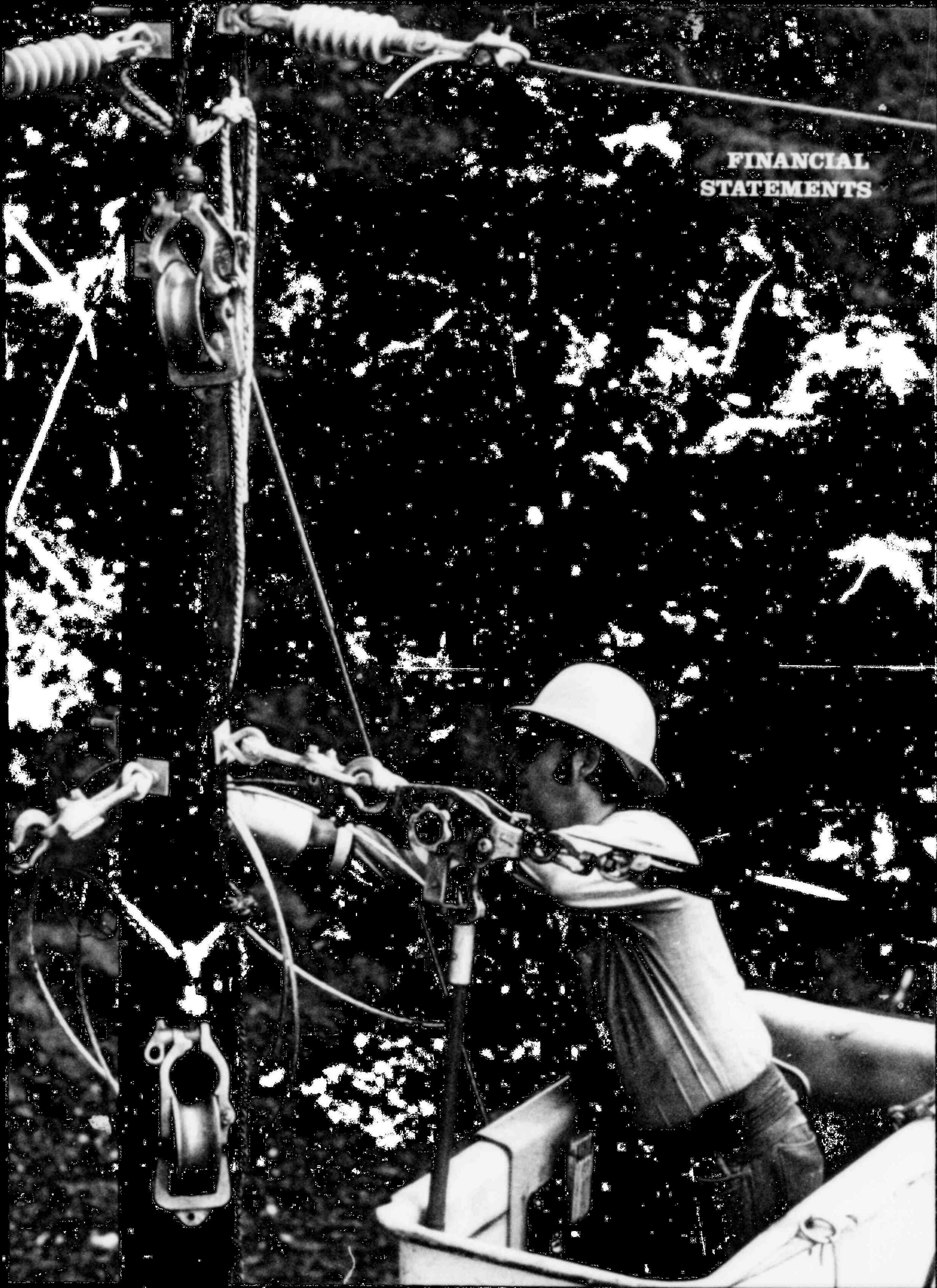
SHAREHOLDER GROUPS BY NUMBER OF HOLDERS



SHAREHOLDER GROUPS BY NUMBER OF SHARES



The Company appreciates inquiries from stockholders at any time as it does from employees, customers and others, and we particularly appreciate the stockholder survey response which has provided this opportunity to address specific questions. We appreciate the comments supporting and approving Company operations and suggestions on ways to improve. We are particularly gratified that our stockholders overwhelmingly supported the Company's participation in the nuclear industry.


FINANCIAL
STATEMENTS

Management's Discussion and Analysis of Operations

The Company's operating results for the years 1975 through 1979 reflect continuing inflationary pressure on costs, a fluctuating pattern of modest growth and the effect of several rate increases. Retail rate increases effective during 1974, 1975 and as of June 20, 1977 have significantly contributed to an improved earnings performance during this period. An additional retail rate increase of 8.2%, effective January 1, 1980, will increase future revenues.

Operating Revenues: In each of the last five years operating revenues have increased over the preceding year. These increases are attributable to the following factors (dollars in thousands):

	1979	1978	1977	1976	1975
Change in retail KWH sales	$1,012	$3,930	$ 667	$3,600	$ (333)
Increased retail rates	1,325	1,886	4,701	3,441	6,084
Increased wholesale and other revenues	829	82	199	652	64
Net increase over prior year	$3,166	$5,898	$5,567	$7,693	$5,815

Since 1975 the Company has experienced a modest growth in KWH sales. Although our customers continue to conserve energy, retail KWH sales have grown by 6.5%, 1.0%, 5.9% and 1.4% for the years 1976 through 1979, respectively.

Operating Expenses: Costs for purchased power, which represent more than 50% of our total operating expenses, can be categorized into two types: costs for capacity available to the Company and costs for energy delivered. These two components of our purchased power costs for the last five years were as follows (dollars in thousands):

	1979	1978	1977	1976	1975
Capacity	$18,882	$17,563	$18,404	$19,372	$17,665
Energy	15,988	14,743	10,979	10,624	7,[illegible]83
Total purchased power	$34,870	$32,306	$29,383	$29,996	$25,648

Although we have been able to hold our capacity costs to a relatively constant level, our energy costs have increased dramatically over this period of time. Energy costs are directly related to the price of oil, nuclear fuel and coal and the growth in units of energy purchased. The units of energy purchased grew by 5.8%, 2.8%, 6.9% and 1.5% for the years 1976 through 1979, respectively.

Transmission cost increases of about $329,000 in 1979 were principally related to transmission of electricity over lines owned by others, which for the most part reflected higher costs of operating the Velco system.

Due to the commencement of commercial operation of the jointly-owned W. F. Wyman Unit #4 oil-fired generating plant, during the fourth quarter of 1978, depreciation increased by $87,000 and production costs by $241,000 in 1979.

Maintenance expenses rose in 1978 and 1979 related to the Company's line clearing and tree trimming program and a continued emphasis on maintenance of our electric production, transmission and distribution systems.

Taxes: Income taxes in recent years reflect the substantial improvement in before-tax income for financial reporting purposes; the utilization in 1975 of operating loss carryforwards which resulted in an extraordinary credit to income; and in 1976 the utilization of investment tax credit carryforwards of approximately $970,000. For further information concerning income taxes see Note 6 to Consolidated Financial Statements.

Allowance for Funds During Construction: The allowances for equity funds and borrowed funds used during construction in recent years reflect the continuing increase in construction work in progress for future nuclear generating plants, particularly the Seabrook, Millstone and Pilgrim units. See Note 8 to Consolidated Financial Statements.

Cost of Money: The increase in interest on long-term debt in 1979 reflects the sale of $10,000,000 of First Mortgage 9½% Bonds, Series Y ($8,000,000 in October 1978 and $2,000,000 in January 1979) and the issuance in September 1979 of $4,250,000 of First Mortgage 10⅝% Bonds, Series Z.

Interest expense on short-term borrowings reflects higher average short-term interest rates (12.97% for 1979 compared with 8.88% for 1978) and a higher level of average short-term borrowings during 1979 ($6,603,000 for 1979 compared with $4,213,000 for 1978). See Note 5 to Consolidated Financial Statements.

In 1979 funds generated from operations (net income adjusted for non-cash charges and credits to income) amounted to $16,857,000. After deducting dividends declared of $6,705,000, internally generated funds amounted to $10,152,000, which represents 78% of the construction and plant expenditures made during the year, compared with 57% for 1978. In order to provide funds for the Company's continuing construction program and other business purposes, additional funds must be obtained by issuing long-term debt and equity securities, as necessary. Short-term borrowings, used to provide funds for the interim period, are generally paid when long-term debt or equity securities are issued.

Consolidated Statement of Income and Retained Earnings

(dollars in thousands except amounts per share)

	Year Ended December 31				
	1979	1978	1977	1976	1975
OPERATING REVENUES	$78,185	$75,019	$69,121	$63,554	$55,861
OPERATING EXPENSES					
Operation					
Purchased power	34,870	32,306	29,383	29,996	25,648
Production and transmission	5,797	5,235	4,940	4,793	4,758
Other operation	10,965	10,891	10,163	8,849	7,219
Maintenance	4,200	3,654	3,281	2,988	2,218
Depreciation	3,466	3,148	3,048	3,015	2,678
Other taxes, principally property taxes	4,288	3,994	3,899	3,765	3,457
Taxes on income (Note 6)	4,250	4,861	4,457	1,236	1,517
Total operating expenses	67,836	64,089	59,171	54,642	47,495
OPERATING INCOME	10,349	10,930	9,950	8,912	8,366
OTHER INCOME AND DEDUCTIONS					
Equity in earnings of companies not consolidated	2,327	2,314	2,268	2,370	2,362
Allowance for equity funds during construction	1,684	1,173	742	276	107
Other income, net	184	189	331	233	161
Taxes on income (Note 6)	(310)	(299)	(282)	(123)	(120)
TOTAL OPERATING AND OTHER INCOME	14,234	14,307	13,009	11,668	10,876
INTEREST EXPENSE					
Interest on long-term debt	5,066	4,284	4,150	4,103	3,890
Other interest	879	402	60	275	1,126
Allowance for borrowed funds during construction	(1,478)	(747)	(371)	(188)	(93)
Net interest expense	4,467	3,939	3,839	4,190	4,923
INCOME BEFORE EXTRAORDINARY CREDIT	9,767	10,368	9,170	7,478	5,953
Extraordinary credit (Note 6)	—	—	—	—	1,010
NET INCOME	9,767	10,368	9,170	7,478	6,963
RETAINED EARNINGS, JANUARY 1	19,418	15,149	11,985	9,867	7,577
	29,185	25,517	21,155	17,345	14,540
CASH DIVIDENDS DECLARED					
Preferred stock	1,772	1,954	2,136	1,744	1,712
Common stock	4,933	4,145	3,870	3,616	2,961
Total dividends	6,705	6,099	6,006	5,360	4,673
RETAINED EARNINGS, DECEMBER 31	$22,480	$19,418	$15,149	$11,985	$ 9,867
Average shares of common stock outstanding	2,921,527	2,881,111	2,848,759	2,734,642	2,312,914
PER SHARE OF COMMON STOCK					
Income before extraordinary credit	$2.74	$2.92	$2.47	$2.10	$1.83
Extraordinary credit	—	—	—	—	$ .44
Net income	$2.74	$2.92	$2.47	$2.10	$2.27
Cash dividends paid	$1.69	$1.44	$1.36	$1.34	$1.28

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

(dollars in thousands)

	December 31	
	1979	1978
ASSETS		
UTILITY PLANT, at original cost	$119,440	$113,880
Less accumulated depreciation	31,269	28,890
	88,171	84,990
Construction work in progress	36,759	28,583
Net utility plant	124,930	113,573
INVESTMENTS IN AFFILIATES, at equity (Note 2)	24,643	24,521
NONUTILITY PROPERTY, less accumulated depreciation	3,286	2,705
CURRENT ASSETS		
Cash	1,482	1,343
Accounts receivable, less allowance for uncollectible accounts	7,810	6,834
Unbilled retroactive revenue	1,749	1,477
Unbilled revenue—estimated	4,664	4,646
Materials and supplies, at average cost	1,943	1,436
Prepayments	1,052	992
Other current assets	733	785
Total current assets	19,433	17,513
DEFERRED CHARGES	8,222	8,245
	$180,514	$166,557
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common stock, $6 par value, authorized 5,[illegible],000 shares: outstanding 2,946,324 shares and 2,898,983 shares, respectively (Note 3)	$ 17,678	$ 17,394
Other paid-in capital (Note 3)	24,192	23,613
Retained earnings	22,480	19,418
Total common stock equity	64,350	60,425
Preferred and preference stock (Note 3)	15,258	15,285
Preferred stock with sinking fund requirements (Note 3)	5,310	6,650
Long-term debt (Note 4)	67,548	62,213
Total capitalization	152,466	144,573
CURRENT LIABILITIES		
Notes payable—banks	13,500	6,600
Accounts payable	1,581	1,253
Accounts payable—affiliates	4,048	3,575
Accrued interest	1,108	900
Accrued income taxes	210	4,928
Other current liabilities	1,447	1,667
Total current liabilities	21,894	18,923
DEFERRED INCOME TAXES	3,102	1,651
DEFERRED INVESTMENT TAX CREDITS	2,528	842
DEFERRED CREDITS AND MISCELLANEOUS RESERVES	524	568
COMMITMENTS AND CONTINGENCIES (Note 8)		
	$180,514	$166,557

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

(dollars in thousands)

	Year Ended December 31				
	1979	1978	1977	1976	1975
SOURCE OF FUNDS					
Funds from operations					
Income before extraordinary credit	$ 9,767	$10,368	$ 9,170	$ 7,478	$ 5,953
Principal non-cash charges (credits) to income					
Depreciation	3,466	3,148	3,048	3,015	2,678
Deferred income taxes and investment tax credits	3,137	(1,439)	2,080	1,111	1,660
Allowance for equity funds during construction	(1,684)	(1,173)	(742)	(276)	(107)
Dividends received more (less) than equity inc[illegible]	50	369	401	291	(236)
Retroactive revenue	272	1,477	(3,796)	—	—
Other	1,849	1,279	979	914	1,066
Total funds from operations	16,857	14,029	11,140	12,533	11,014
Funds from outside sources					
Long-term debt	6,250	8,000	300	—	7,500
Preferred stock	—	—	—	7,000	1,200
Common stock	724	535	429	6,475	—
Change in short-term debt	6,900	1,300	5,300	(9,300)	(2,200)
Total funds from outside sources	13,874	9,835	6,029	4,175	6,500
Total funds provided	$30,731	$23,864	$17,169	$16,708	$17,514
USE OF FUNDS					
Construction and plant expenditures	$13,065	$13,961	$10,766	$ 9,107	$ 5,970
Dividends declared	6,705	6,099	6,006	5,360	4,673
Investments in affiliates	172	(240)	(50)	(314)	755
Retirement of long-term debt	915	2,531	2,146	266	6,448
Retirement of preferred stock	1,340	1,340	1,340	670	—
Net increase (decrease) in other working capital items	5,849	(622)	(4,441)	73	459
Other, net	2,685	795	1,402	946	(791)
Total funds used	$30,731	$23,864	$17,169	$16,708	$17,514
CHANGES IN OTHER WORKING CAPITAL ITEMS					
Accounts receivable	$ 994	$ 857	$ (507)	$ (959)	$ 557
Unbilled retroactive revenue	272	1,477	—	—	—
Cash and other current assets	654	(1,004)	(43)	1,481	134
Accounts payable	(801)	343	(80[illegible]	(211)	(121)
Accrued income taxes	4,718	(2,424)	(2,24[illegible]	(207)	(54)
Other current liabilities	12	129	(843)	(31)	(57)
Net increase (decrease) in other working capital items	$ 5,849	$ (622)	$(4,441)	$ 73	$ 459

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 — Summary of significant accounting policies: *Consolidation:* The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Connecticut Valley Electric Company Inc.

The Company follows the equity method of accounting for its investments in affiliates. See Note 2.

Regulation: The Company is subject to regulation by the Vermont Public Service Board (PSB), the Federal Energy Regulatory Commission (FERC) and, to a lesser extent, the public utilities commissions in other New England states where the Company does business, with respect to rates charged for service, accounting and other matters. The Company's accounting policies generally reflect the rate-making and regulatory policies of these authorities.

Revenues: Estimated unbilled revenues are recorded at the end of accounting periods. Through 1978 the Company's tariffs included fuel adjustment clauses under which fuel and the energy portion of purchased power costs were billed to customers. As of January 1, 1979 the fuel adjustment clause applicable to the majority of retail customers was terminated.

Maintenance: Maintenance and repairs are charged to maintenance expense and include replacements of less than retirement units. Replacements of retirement units and betterments are charged to utility plant and the book cost of units retired plus the cost of removal thereof, less salvage, are charged to accumulated provision for depreciation.

Depreciation: The Company uses the straight-line method of depreciation. Total depreciation expense was between 3.03% and 3.45% of the cost of depreciable utility plant for the years 1975 through 1979.

Income Taxes: The tax effect of timing differences between pre-tax income in the financial statements and income subject to tax are accounted for in accordance with the rate-making policies of the PSB. See Note 6. Beginning in 1978, investment tax credits realized are deferred and amortized to income over the lives of the related properties. Prior to 1978, the Company followed the flow-through method of accounting for investment tax credits when realized.

Allowance for Funds During Construction: Allowance for funds used during construction (AFDC) is the cost, during the period of construction, of funds used to finance construction projects. The Company capitalizes AFDC as a part of the cost of major utility plant projects except to the extent that costs applicable to such construction work in progress have been included in rate base in connection with rate-making proceedings. The AFDC rates used by the Company were 8.15%, 8.41%, 9.32%, 10.27% and 11.13% for the years 1975 through 1979.

Deferred Charges: Costs associated with Vermont Yankee shutdowns required to replace original fuel rods and install off-gas holding equipment during 1973 were deferred. These costs, which totalled $3,374,000, are being amortized to expense over a ten-year period commencing January 1, 1974 as approved by the FERC and PSB.

During regular Vermont Yankee refueling shutdowns the increased costs attributable to replacement energy purchased from NEPOOL are deferred and amortized to expense over the estimated period until the next regularly scheduled refueling shutdown.

Note 2—Investments in affiliates: The Company accounts for investments in the following companies by the equity method (dollars in thousands):

	Ownership	December 31 1979	December 31 1978
Nuclear generating companies:			
Vermont Yankee Nuclear Power Corp.	31.3%	$18,332	$18,389
Maine Yankee Atomic Power Co.	2.0%	1,337	1,336
Connecticut Yankee Atomic Power Co.	2.0%	1,029	949
Yankee Atomic Electric Co.	3.5%	716	725
		21,414	21,399
Other affiliated companies:			
Vermont Electric Power Company, Inc.	58.4%	3,110	2,915
C.V. Realty, Inc.	100.0%	119	207
		$24,643	$24,521

Each sponsor of the nuclear generating companies is obligated to pay an amount equal to its entitlement percentage of fuel, operating expenses, and cost of capital and is entitled to a similar share of the power output of the plants. See Note 8 for the percentages of total power output received from these companies.

Summarized financial information for Vermont Yankee Nuclear Power Corporation is as follows (dollars in thousands):

	December 31 1979	December 31 1978
Earnings		
Operating revenues	$65,982	$61,638
Net income applicable to common stock	$ 5,811	$ 5,874
Company's equity in net income	$ 1,819	$ 1,838
Investment		
Total assets, principally utility plant	$217,664	$211,231
Less:		
Preferred stock	18,325	19,425
Long-term debt	81,279	85,800
Other liabilities and deferred credits	59,380	47,224
Net assets	$ 58,680	$ 58,782
Company's equity in net assets	$ 18,332	$ 18,389

Vermont Electric Power Company, Inc. (Velco) owns and operates a transmission system in Vermont over which bulk power is delivered to all electric utilities in the state. Velco entered into a Power Transmission Contract with the State of Vermont and under its terms bills all costs, including amortization of its debt and a fixed return on equity, to the State and others using the system. This contract has enabled Velco to finance its facilities primarily through the sale of first mortgage bonds. Velco operates pursuant to the terms of the State contract and an Operating Agreement with the Company and two other major distribution companies in Vermont. Although the Company owns 58.4% (61.7% at December 31, 1978) of Velco's outstanding common stock, the Operating Agreement effectively restricts the Company's control and therefore Velco's financial statements have not been consolidated. Summarized financial information for Velco is as follows (dollars in thousands):

	December 31	
	1979	1978
Earnings		
Transmission revenues	$10,425	$ 9,846
Operating expenses	6,016	5,231
Operating income	4,409	4,615
Other income	282	133
Total operating and other income	4,691	4,748
Net interest expense	4,289	4,394
Net income	$ 402	$ 354
Company's equity in net income	$ 234	$ 213
Investment		
Net utility plant	$46,917	$47,521
Current assets	10,324	9,265
Other assets	2,491	3,263
Total assets	59,732	60,049
Less		
First mortgage bonds	44,641	37,293
Current liabilities	9,768	18,033
Net assets	$ 5,323	$ 4,723
Company's equity in net assets	$ 3,110	$ 2,915

Note 3 — Capital stock and other paid-in capital: Cumulative preferred and preference stock outstanding was as follows (dollars in thousands):

	Current Redemption Price Per Share	December 31 1979	December 31 1978
Preferred stock, $100 par value, authorized 500,000 shares			
Outstanding:			
4.15% Series; 37,856 shares	$105.50	$ 3,786	$ 3,786
4.65% Series; 10,000 shares	105.00	1,000	1,000
4.75% Series; 17,682 shares	101.00	1,768	1,768
5.375% Series; 15,000 shares	105.00	1,500	1,500
13.50% Series; 53,100 shares (1978 — 66,500 shares)	113.00	5,310	6,650
Preferred stock, $25 par value, authorized 1,000,000 shares			
Outstanding:			
9.00% Series; 280,000 shares	27.25	7,000	7,000
Second preferred stock, $50 par value, authorized 7,993 shares			
Outstanding:			
5.44% Convertible Series A; 4,088 shares (1978—4,623 shares)	52.15	204	231
Preference stock, $1 par value, authorized 1,000,000 shares			
Outstanding — none		—	—
Total cumulative preferred and preference stock		$20,568	$21,935

The second preferred stock is currently convertible into common stock at $18.44 per share. As of December 31, 1979, 11,084 shares of common stock were reserved for conversion. In 1979, 535 shares of second preferred stock were converted into 1,448 shares of common stock, which increased other paid-in capital $18,000.

The 13.50% series preferred stock is redeemable at par through a mandatory sinking fund in the amount of $670,000 per annum and, at its option, the Company may redeem at par an additional non-cumulative $670,000 per annum.

In 1979 other paid-in capital increased $448,000 for the excess of the proceeds over the par value on the sales of 45,893 shares of common stock, increased $133,000 due to the amortization of capital stock expense related to the 13.50% series preferred stock and was reduced by $20,000 for expenses in connection with the sales of common stock.

Note 4 — Long-term debt: A summary of long-term debt follows (dollars in thousands):

	December 31 1979	December 31 1978
First Mortgage Bonds		
5 % Series L, due 1987	$ 891	$ 896
5⅝% Series M, due 1995	4,605	4,633
6⅞% Series N, due 1996	4,675	4,700
7¼% Series O, due 1992	1,880	1,890
8½% Series P, due 1999	3,000	3,000
10 % Series Q, due 1999	2,000	2,000
8⅞% Series R, due 2001	3,000	3,000
8½% Series S, due 2003	5,000	5,000
11½% Series T, due 1990	6,000	6,375
3⅜% Series U, due 1980	1,517	1,527
4 % Series V, due 1981	1,438	1,448
3⅞% Series W, due 1982	791	799
3⅜% Series X, due 1984	3,163	3,183
9½% Series Y, due 2003	10,000	8,000
10⅝% Series Z, due 2004	4,250	—
Debentures		
4⅞%, due 1987	3,230	3,420
7 %, due 1993	8,600	8,800
10⅝%, due 1995	3,150	3,220
Other, due 1985	258	222
Total long-term debt	$67,548	$62,213

Based on issues outstanding at December 31, 1979, the aggregate amount of long-term debt maturities and sinking fund requirements (exclusive of the amount that may be satisfied by property additions) are approximately $2,424,000, $2,330,000, $1,652,000, $828,000 and $4,391,000 for the years 1980 through 1984, respectively.

On January 10, 1980 the Company issued an additional $10,750,000 of Series Z First Mortgage Bonds. The proceeds received were used to reduce outstanding short-term bank loans.

Note 5 — Short-term borrowings: The Company had unused lines of credit of $1,600,000 at December 31, 1979. The lines expire approximately one year from the dates of the agreements and are normally renewed. The Company normally maintains average compensating balances equal to 10% of credit lines available plus 10% of outstanding borrowings.

Notes payable to banks at December 31, 1979 were at an average interest rate of 15.22% (11.18% at December 31, 1978). During 1979 the maximum amount of notes payable outstanding at any month end was $13,500,000 ($7,700,000 for 1978) and the daily average amount of notes payable outstanding was $6,603,000 ($4,213,000 for 1978) with a corresponding average interest rate of 12.97% (8.88% for 1978).

Note 6 — Income taxes: The components of income tax expense before extraordinary items are as follows (dollars in thousands):

	Year Ended December 31				
	1979	1978	1977	1976	1975
Taxes on operating income:					
Federal — current	$ 435	$5,345	$1,904	$ 13	$ (31)
Federal — deferred	1,231	(1,967)	1,882	867	1,319
Investment credit adj.	1,895	820	—	—	—
State — current	491	971	442	171	4
State — deferred	198	(308)	229	185	225
	4,250	4,861	4,457	1,236	1,517
Taxes on other income:					
Federal — current	203	242	269	41	4
Federal — deferred	1	(21)	(27)	50	100
Investment credit adj.	71	40	—	—	—
State — current	35	41	44	23	—
State — deferred	—	(3)	(4)	9	16
	310	299	282	123	120
Total income taxes	$4,560	$5,160	$4,739	$1,359	$1,637

Major items which resulted in deferred income tax expense were allowance for borrowed funds during construction ($1,236,000 in 1979), the Company's portion of Vermont Yankee deferred shutdown costs ($1,318,000 in 1975 and $877,000 in 1976), municipal property taxes ($367,000 in 1975 and $219,000 in 1976), equity in unremitted earnings of companies not consolidated ($217,000 in 1976), unbilled fuel costs ($255,000 in 1977) and retroactive revenue ($1,915,000 in 1977 which reversed in 1978).

In the consolidated statement of income for 1975 a provision for income taxes equivalent to the provision for such taxes that would have been required in the absence of tax operating loss carryforwards was charged to income before extraordinary credit and the benefit, in the amount of $1,010,000, arising from utilization of such operating loss carryforwards was reflected as extraordinary income.

The principal reasons for the differences between the total income tax expense and the amount calculated by applying the Federal income tax rate to income before tax are as follows (dollars in thousands):

	Year Ended December 31				
	1979	1978	1977	1976	1975
Income before income tax	$14,327	$15,528	$13,909	$8,837	$7,590
Federal statutory rate	46%	48%	48%	48%	48%
Computed "expected" tax expense	$ 6,590	$ 7,453	$ 6,676	$4,242	$3,643
Increases (reductions) in taxes resulting from:					
Dividend received credit	(934)	(954)	(925)	(967)	(980)
Additional depreciation for tax purposes	(530)	(514)	(401)	(425)	(598)
Allowance for equity funds during construction	(774)	(563)	(356)	(132)	(51)
Other capitalized costs	(41)	(387)	(213)	(122)	(63)
Change in unbilled revenue	(8)	(103)	6	(81)	(383)
State income taxes net of Federal tax benefit	391	365	369	202	127
Investment tax credits	(55)	(30)	(418)	(1,357)	(15)
Other	(79)	(107)	1	(1)	(43)
Total income taxes	$ 4,560	$ 5,160	$ 4,739	$1,359	$1,637

Note 7 — Pension plan: The Company has a noncontributory trusteed pension plan covering all regular employees and follows the consistent practice of currently funding all costs accrued. The market value of the assets of the trust fund was approximately equal to the actuarially computed value of vested benefits as of January 1, 1979. Total pension costs amounted to $711,000, $895,000, $985,000, $1,046,000 and $908,000 for the years 1975 through 1979, including amortization of the unfunded actuarial liability over a thirty-year period beginning January 1, 1976.

Note 8 — Commitments and contingencies: The Company purchases 67,525 KW of hydroelectric power generated by the Power Authority of the State of New York (Pasny), under long-term contracts which expire June 30, 1985 and also purchases power from a coal-fired generating plant located in Merrimack, New Hampshire under a life of the unit contract. The percentages of the Company's total power output from all sources were as follows:

	Year Ended December 31				
Source of Energy	1979	1978	1977	1976	1975
Nuclear generating companies	41%	38%	42%	41%	45%
Pasny — hydro	22	22	25	27	29
Merrimack — coal	11	8	11	2	3
Company owned hydro	9	8	9	12	11
Miscellaneous	17	24	13	18	12
	100%	100%	100%	100%	100%

The Company's ownership interest and its share of amounts invested at year-end in the jointly-owned generating facilities in which it is participating are as follows (dollars in thousands):

		December 31	
	Ownership	1979	1978
Plant in service:			
Wyman #4	1.77690%	$ 3,139	$ 2,866
Under construction:			
Seabrook #1 and #2	1.59096%	$14,947	$10,528
Millstone #3	1.73030%	12,425	9,501
Pilgrim #2	1.78000%	5,946	4,665
Montague #1 and #2	1.73000%	720	640
		$34,038	$25,334

Wyman #4, an oil-fired generating plant, commenced commercial operation in December 1978. The Company's share of operating expenses are included in the corresponding operating accounts on the Statement of Income.

The construction schedule for the Montague #1 and #2 units is currently under review and little activity is anticipated in the near future. For the other four nuclear units to be constructed, the Company is obligated to provide funds in future years estimated to total $91,000,000 (including AFDC and present commitments for nuclear fuel) to be required approximately as follows: 1980, $13,000,000; 1981, $16,000,000; 1982, $16,000,000; 1983, $16,000,000; 1984, $14,000,000; and 1985-1987, $16,000,000.

The Company is subject, like other electric utilities, to evolving standards administered by Federal, state and local authorities relating to the quality of the environment. These standards affect the siting of generating facilities, air and water quality, nuclear plant licensing and safety and other environmental factors. While these standards have had some impact upon the Company's past operations as a distribution company, the Company anticipates that they will have a more significant impact upon the capital costs and construction schedules of the new generating facilities in which the Company is participating.

Minimum rental commitments of the Company under noncancellable leases as of December 31, 1979 are not material. Total rental expense entering into the determination of net income, consisting principally of vehicle and equipment rentals, was approximately $828,000, $1,031,000, $1,119,000, $1,229,000 and $1,370,000, respectively, for the years 1975 through 1979.

Note 9 — Unaudited quarterly financial information: The following quarterly financial information is unaudited and in the opinion of management includes all adjustments (consisting only of normal recurring accruals) necessary to a fair statement of results of operations for such periods. Variations between quarters reflect the seasonal nature of the Company's business (dollars in thousands except amounts per share):

	Quarter Ended			
	March	June	September	December
1979				
Operating revenues	$21,044	$17,455	$18,444	$21,242
Operating income	$ 3,080	$ 2,294	$ 1,863	$ 3,112
Net income	$ 2,954	$ 2,192	$ 1,708	$ 2,913
Net income per share of common stock	$.85	$.61	$.43	$.85
1978				
Operating revenues	$19,778	$16,845	$18,642	$19,754
Operating income	$ 2,844	$ 2,571	$ 2,257	$ 3,258
Net income	$ 2,708	$ 2,424	$ 2,164	$ 3,072
Net income per share of common stock	$.76	$.68	$.58	$.90

Note 10—Unaudited information concerning the effects of inflation: The following information is supplied for the purpose of providing certain information about the effects of changing prices. It should be viewed as an estimate of the approximate effect of changing prices, rather than as a precise measure. A statement of income adjusted for changing prices follows (dollars in thousands):

	Year Ended December 31, 1979		
	Conventional Historical Cost	Adjusted for General Inflation	Adjusted for Changes in Specific Prices
Operating revenues	$78,185	$ 78,185	$ 78,185
Operating expenses			
Operation and maintenance	55,832	55,8??	55,832
Depreciation	3,466	7,077	8,576
Other taxes, principally property taxes	4,288	4,288	4,288
Taxes on income	4,250	4,250	4,250
Total operating expenses	67,836	71,447	72,946
Operating income	10,349	6,738	5,239
Other income and deductions, net	3,885	3,885	3,885
Interest expense, net	(4,467)	(4,467)	(4,467)
Net income (excluding reduction to net recoverable cost)	$ 9,767	$ 6,156*	$ 4,657*
Gain from decline in purchasing power of net amounts owed		$ 9,593	$ 9,593
Reduction to net recoverable cost		(11,298)	(9,799)
		$ (1,705)	$ (206)
Increase in specific prices (current cost) of property, plant and equipment held during the year**			$ 18,329
Effect of increase in general price level			(28,239)
Excess of increase in general price level over increase in specific prices			$ 9,910

* Including the reduction to net recoverable cost, net income would have been a loss of $5,142.

** At December 31, 1979, the current cost of utility plant net of accumulated depreciation was estimated to be approximately $238,371,000 as compared with the net utility plant recoverable through depreciation of $124,930,000.

Note 10 — Continued: A five-year comparison of selected supplementary financial data adjusted for the effects of changing prices follows (in thousands of average 1979 dollars where applicable):

	Year Ended December 31				
	1979	1978	1977	1976	1975
Operating revenues	$78,185	$83,465	$82,793	$81,036	$75,336
Historical cost information adjusted for general inflation					
Net income (excluding reduction to net recoverable cost)	6,156				
Net income per share of common stock (excluding reduction to net recoverable cost)	1.50				
Net assets at year-end at net recoverable cost	75,280				
Current cost information					
Net income (excluding reduction to net recoverable cost)	4,657				
Net income per share of common stock (excluding reduction to net recoverable cost)	.99				
Excess of increase in general price level over increase in specific prices	9,910				
Net assets at year-end at net recoverable cost	75,280				
General information					
Gain from decline in purchasing power of net amounts owed	9,593				
Cash dividends declared per common share	$ 1.69	$ 1.60	$ 1.63	$ 1.71	$ 1.73
Market price per common share at year-end	$15.75	$15.99	$17.97	$19.60	$15.00
Average consumer price index	217.4	195.4	181.5	170.5	161.2

Dollar amounts adjusted for general inflation (constant dollar) represent historical costs of utility plant stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers (CPI-U). Current cost amounts reflect the changes in specific prices of utility plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than prices in general.

The current cost of property, plant and equipment, comprising plant in service, experimental electric plant, plant held for future use and construction work in progress represents the estimated cost of replacing existing plant assets and was determined by indexing the surviving plant by the Handy-Whitman Index of Public Utility Construction Costs. The resulting adjusted data for property, plant and equipment are not indicative of the current value of existing property, plant and equipment nor of the Company's future capital requirements. The actual replacement of existing property, plant and equipment will take place over many years and not necessarily in the same manner as the presently existing assets.

Accumulated provisions for depreciation under both methods described above were determined by calculating the ratio of historical accumulated depreciation to historical depreciable property by year of acquistion and applying the resultant ratio to estimated constant dollar and current cost of property, plant and equipment. The current year's provision for depreciation on the constant dollar and current cost amounts was determined by applying the Company's depreciation rate to the restated depreciable plant base at the beginning of the year.

The effects of inflation are not recognized for income tax or rate-making purposes. Under the rate-making prescribed by the regulatory commissions to which the Company is subject, only the historical cost of property, plant and equipment is recoverable in revenues as depreciation. Therefore, the excess of the cost of plant stated in terms of constant dollars or current cost over the historical cost of plant is not presently recoverable in rates as depreciation and is reflected as a reduction to net recoverable cost. While the rate-making process gives no recognition to the current cost of replacing property, plant and equipment, based on past practices, the Company believes it will be allowed to earn on the increased cost of its net investment when replacement of facilities actually occurs.

During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance property, plant and equipment. Since the depreciation on the utility plant is limited to the recovery of historical costs, the Company does not have the opportunity to realize gain on debt and is limited to recovery only of the embedded cost of debt capital. Therefore to have the Statement of Income adjusted for Changing Prices properly reflect the economics of rate regulation, the gain from the decline in purchasing power of net amounts owed should be offset by the reduction of net property, plant and equipment.

Report of Independent Certified Public Accountants

The Stockholders and Board of Directors
Central Vermont Public Service Corporation:

We have examined the consolidated balance sheets of Central Vermont Public Service Corporation and subsidiary as of December 31, 1979 and 1978 and the related consolidated statements of income and retained earnings and changes in financial position for each of the five years in the period ended December 31, 1979. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Central Vermont Public Service Corporation and subsidiary at December 31, 1979 and 1978, and the results of their operations and the changes in their financial position for each of the five years in the period ended December 31, 1979, in conformity with generally accepted accounting principles applied on a consistent basis.

Boston, Massachusetts
February 15, 1980

PEAT, MARWICK, MITCHELL & CO.

Comparative Statistics

	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Electric revenues (000)										
Residential	**$36,462**	$35,648	$33,189	$30,760	$27,113	$23,524	$19,546	$17,643	$14,914	$12,356
Commercial and industrial	**30,859**	29,427	26,498	23,848	21,041	19,470	16,286	14,509	12,118	10,466
Other electric utilities	**3,629**	2,952	2,879	2,764	2,383	2,535	2,061	1,678	1,777	1,513
Other	**7,235**	6,992	6,555	6,182	5,324	4,517	3,815	3,445	2,761	2,242
Total	**$78,185**	$75,019	$69,121	$63,554	$55,861	$50,046	$41,708	$37,275	$31,570	$26,577
Electric sales, kwh (000)										
Residential	**724,041**	716,915	698,901	701,244	672,909	670,845	675,658	661,874	606,015	545,928
Commercial and industrial	**848,646**	830,225	759,222	742,549	685,224	697,989	719,068	684,729	608,108	568,372
Other electric utilities	**148,389**	121,127	118,052	133,589	112,006	197,749	178,977	126,331	137,457	117,252
Other	**105,052**	107,293	104,041	102,271	94,060	92,613	96,118	94,638	84,116	72,676
Total	**1,826,128**	1,775,560	1,680,216	1,679,653	1,564,199	1,659,196	1,669,821	1,567,572	1,435,696	1,304,228
Kwh output (000)										
Hydro generation	**173,728**	156,463	168,620	216,124	179,441	187,449	202,986	187,617	157,695	160,080
Other generation	**6,522**	2,543	1,356	2,161	4,473	8,157	16,150	21,371	43,079	66,784
Purchased and received	**1,765,212**	1,739,067	1,626,899	1,582,724	1,496,281	1,575,098	1,552,453	1,489,375	1,357,611	1,199,183
Total output	**1,945,462**	1,898,073	1,796,875	1,801,009	1,680,195	1,770,704	1,771,589	1,698,363	1,558,385	1,426,047
Less company use and losses	**119,334**	122,513	116,659	121,356	115,996	111,508	101,768	130,791	122,689	121,819
Electric sales	**1,826,128**	1,775,560	1,680,216	1,679,653	1,564,199	1,659,196	1,669,821	1,567,572	1,435,696	1,304,228
Customers (end of year)										
Residential	**96,966**	95,016	93,190	91,687	90,288	89,711	88,196	85,450	82,843	79,622
Commercial and industrial	**10,562**	10,485	10,285	10,094	10,042	10,435	10,12[illegible]	9,950	9,716	9,353
Other electric utilities	**10**	10	12	13	14	18	1[illegible]	13	14	15
Other	**2,442**	2,466	2,474	2,435	2,397	2,387	2,339	2,275	2,148	1,924
Total	**109,980**	107,977	105,961	104,229	102,741	102,551	100,673	97,688	94,721	90,914
Residential use										
Kilowatt-hours per customer	**7,541**	7,624	7,577	7,712	7,456	7,502	7,747	7,847	7,465	6,930
Revenue per kilowatt-hour	**$.0504**	$.0497	$.0475	$.0439	$.0403	$.0351	$.0289	$.0267	$.0246	$.0226
Number of stockholders										
Preferred	**2,842**	2,932	2,995	2,931	2,045	1,821	1,860	1,901	1,949	2,010
Common	**14,666**	14,921	15,308	15,533	14,362	14,391	14,600	14,589	13,224	13,080
Total	**17,508**	17,853	18,303	18,464	16,407	16,212	16,460	16,490	15,173	15,090

Far Left
Luther F. Hackett

L to R (Foreground)
James E. Griffin
L. Douglas Meredith

L to R (Background)
R. DeWitt Mallary
Harold L. Durgin

L to R (Foreground)
Robert P. Bliss, Jr.
Allen O. Eaton

L to R (Background)
Preston Leete Smith
Richard E. Ide
Robert T. Holden
Fred W. Yeadon, Jr.

Board of Directors

Robert P. Bliss, Jr./1973/President, The Bob Bliss Agency, Ltd., St. Albans, Vermont (Insurance Industry Consultants) (4)

Harold L. Durgin/1951/Retired; Former President of the Company; Vice President and Assistant Secretary, Rutland Savings Bank, Rutland, Vermont (1) (4)

Allen O. Eaton/1960/Partner, Ropes & Gray, Boston, Massachusetts, (Lawyer) (1) (3)

James E. Griffin/1972/President and Chief Executive Officer of the Company (1)

Luther F. Hackett/1979/President, Hackett, Valine & MacDonald, Inc., Burlington, Vermont (Insurance) (2)

Robert T. Holden/1959/President and Treasurer, Fairdale Farms, Inc., Bennington, Vermont (Dairy Products) (2)

***Richard E. Ide**/1973/Chairman of the Board and Treasurer, E.T. & H.K. Ide, Inc., St. Johnsbury, Vermont (Farm Supplies) (2)

R. DeWitt Mallary/1959/Lawyer, Fairlee, Vermont (1) (3) (4)

L. Douglas Meredith/1953/Chairman; Former President of the Company, South Burlington, Vermont (1)

Preston Leete Smith/1977/President and Chief Executive Officer, Sherburne Corporation, Killington, Vermont (Ski Business) (3)

Holmes H. Whitmore/1963/Retired; Past President, Jones & Lamson, Division of Waterbury Farrel (a Textron Company), Springfield, Vermont (Machine Tools) (2)

Fred W. Yeadon, Jr./1974/President and Chief Executive Officer, First Vermont Bank and Trust Company, Brattleboro, Vermont (1) (4)

(1) Member of Executive Committee
(2) Member of Audit Committee
(3) Member of Compensation Committee
(4) Member of Nominating Committee
* Deceased

Officers and Executive Staff

L. Douglas Meredith	Chairman
James E. Griffin	President and Chief Executive Officer
Robert E. Schill	Vice President — Finance and Corporate Planning
Donald L. Rushford	Vice President and General Counsel
Thomas J. Hurcomb	Vice President — External Affairs
Theodore W. Millspaugh	Treasurer
Alice L. Del Bianco	Secretary
Warren L. Stevens	Assistant Treasurer
Doris E. Rogers	Assistant Treasurer
Virginia S. Papineau	Assistant Secretary
John A. Ritsher	Assistant Secretary
Clifford E. Giffin	General Manager — Division Administration
Darrow R. McLeod	General Manager — Engineering and Power Operations
Patrick J. Garahan	General Manager — Administrative Services

KEY

- ● BUSINESS OFFICE
- G GENERATING STATION

TRANSMISSION LINES

CENTRAL VERMONT PUBLIC SERVICE CORP
- 69KV, 46KV, & 33KV

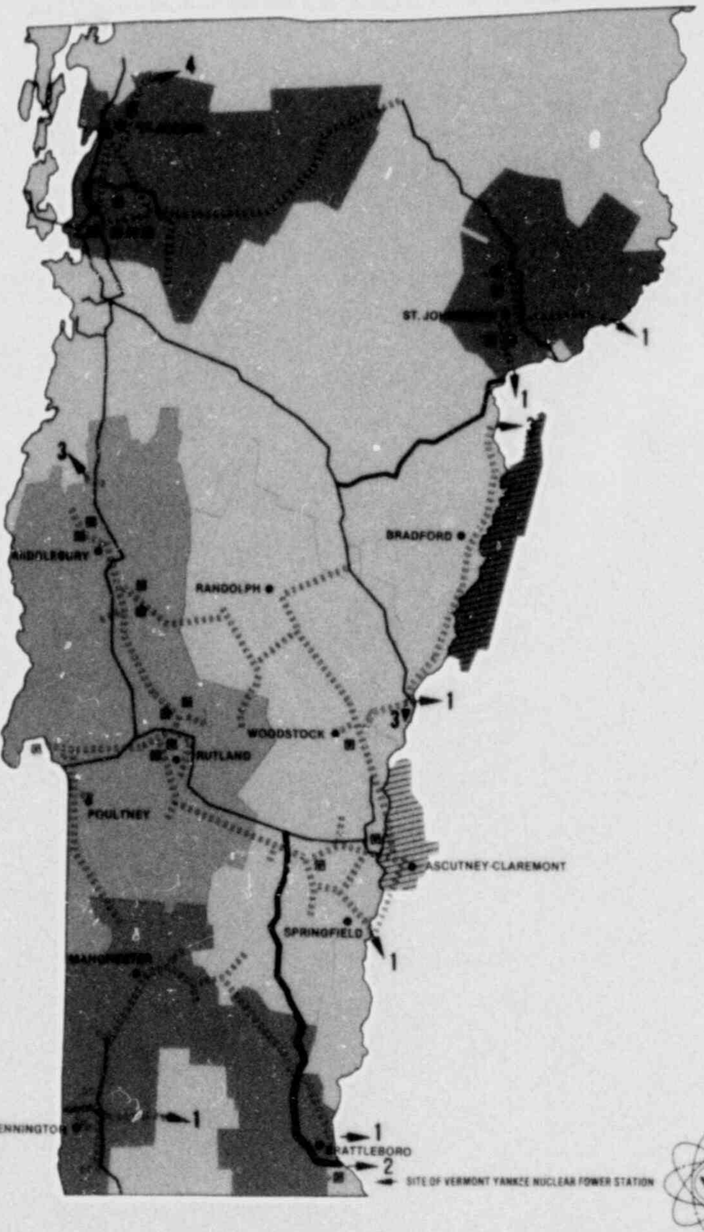
VERMONT ELECTRIC POWER CO.
- 345KV
- 230KV
- 115KV

INTERCONNECTIONS

1. NEW ENGLAND POWER CO.
2. PUBLIC SERVICE CO. OF N.H.
3. GREEN MOUNTAIN POWER CORP.
4. CITIZENS UTILITIES CO.

DIRECT & WHOLESALE SERVICE AREAS

CENTRAL VERMONT PUBLIC SERVICE CORP. DIVISIONS
- NORTHERN
- EASTERN
- WESTERN
- SOUTHERN
- CONNECTICUT VALLEY ELECTRIC CO. INC.



Central Vermont Public Service Corporation
77 Grove Street, Rutland, Vermont 05701